

BELIZE - EUROPEAN COMMUNITY



**Country Strategy Paper
and
National Indicative Programme
for the period
2008 - 2013**

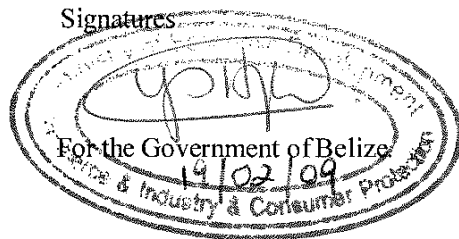
The Government of Belize and the European Commission hereby agree as follows:

- (1) The Government of Belize, (represented by Mr. Hugh O'Brien, former NAO) and the European Commission, (represented by the Head of the European Commission Delegation Marco Mazzocchi Alemanni,) hereinafter referred to as the Parties, held discussions in Belize from July 2006 to January 2008 with a view to determining the general orientations for cooperation for the period 2008 –2013. During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of Belize were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in Belize. The Country Strategy Paper and the Indicative Programme are annexed to the present document.
- (2) As regards the indicative programmable financial resources which the Community envisages to make available to Belize for the period 2008-2013, an amount of € 11.8 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 0.6 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which Belize benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Belize within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the

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rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.



Helén Jenkinson

For the Commission

HELEN JENKINSON
Chargé d'Affaires a.i.
18/11/08

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Map of Belize



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GLOSSARY OF TERMS

ACP	African, Caribbean and Pacific Group of States
BELTRAIDE	Belize Trade and Investment Development Service
BCS	Belize Country Adaptation Strategy for the Sugar Industry 2006-2015
CARD	Community-initiated Agricultural and Rural Development
CARICOM	Caribbean Community
CDI	Commonwealth Debt Initiative
CPA	Country Poverty Assessment
CSS	Country Support Strategy
DFC	Development Finance Corporation
EC	European Community
EDF	European Development Fund
EIB	European Investment Bank
EU-ACP	Partnership Agreement between the African, Caribbean and Pacific Group of States and the European Community and its Member States
EU	European Union
FY	Fiscal Year
GDP	Gross Domestic Product
GoB	Government of Belize
IDB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund For Agriculture Development
IMF	International Monetary Fund
MNDIC	Ministry of National Development, Investment and Culture
MTES	Medium-Term Economic Strategy
NAO	National Authorising Officer
NCSA	National Capacity Self Assessment
NGO	Non-governmental organisation
NIP	National Indicative Programme
NPESAP	National Poverty Elimination Strategy Action Plan
NSA	Non-state actors
OAS	Organization of American States
OPEC	Organization of Petroleum Exporting Countries
PAHO	Pan American Health Organization
PSIP	Public Sector Investment Programme
RoC	Republic of China (Taiwan)
UK	United Kingdom
UK-DFID	UK Department for International Development
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNCDB	United Nations Convention on Biological Diversity
UNCCD	United Nations Convention to Combat Desertification
WB	World Bank
WTO	World Trade Organization

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Executive summary

This Country Strategy Paper (CSP) presents the framework which will govern EU cooperation with Belize for the period 2008-2013.

The most serious threat to Belize's ambition of achieving a better standard of living for its people continues to be the incidence of poverty, exacerbated by major resource adjustments in the export agricultural sector. For this reason, the Government of Belize has committed itself to a broad-based approach to rural development with specific resources to address poverty reduction and support the efforts of marginalised populations to enter the mainstream of economic activity.

The EC response strategy emanates from a consultative process among representatives from the Government of Belize, civil society and the private sector. This exchange, captured in two workshops, identified the economic and social challenges facing the country of Belize, analysed the programmes being implemented by other development cooperation partners, and focused on areas of comparative advantage enjoyed by the EC in its assistance programmes in Belize.

The focal area of the EC Support Strategy for Belize will be poverty reduction with institution and capacity building, in support of a two-tiered rural development approach including: (a) Local (district, community and group) level measures to promote market-led rural enterprise development; and (b) Strategic infrastructure measures to create an enabling environment for rural development.

The focal area for EC assistance is **poverty reduction through integrated rural development**.

The indicative programme of EUR 11.8 million is broken down as follows:

Focal Area Envelope A	85% or EUR 10 million
Non-Focal Area	15% or EUR 1.8 million
Grand Total	100% or EUR 11.8 million

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CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE EC AND BELIZE

I. 1.1 General objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development cooperation must foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action including the Common Foreign and Security Policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. In this way, the EU will achieve genuine coherence between its domestic and its external agendas, thereby contributing to global security and prosperity.

I. 1.2 Strategic objectives of cooperation with Belize

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the Cotonou Agreement is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy.

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Cooperation between the Community and Belize will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11(b) of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives. Cooperation with Belize is further guided by the Communication on A European Union-Caribbean Partnership for Growth, Stability and Development (2006)

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will move ahead with coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas for action, through the dialogue with partner countries, rather than spreading efforts over too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In order to contribute as effectively as possible to the overall goal of poverty reduction, cooperation with Belize has two strategic objectives:

1. To sustainably increase rural employment and income, thereby reducing rural poverty and a key driver of urban poverty through rural-urban migration;
2. To maintain and improve an effective development partnership between the EU and Belize.

These strategic objectives will be achieved through (a) supporting programmatic approaches to promoting agriculture- and non-agriculture-related rural enterprises, and (b) strategic infrastructure measures to create an enabling environment for rural development.

Measures will include the efficiency and competitiveness of traditional agricultural crops, as well as diversification, including value adding and non-agricultural initiatives such as tourism. They will include demand- and market-driven initiatives, community-level institution building, improving access to information, inputs and other factors of production and, where relevant, improving the physical infrastructure, including roads.

The Community pays particular attention to the provision of good governance in the tax, financial and judicial area, as a mean to contribute to sustainable financial and tax systems in a globalised economy. From a general point of view, the Commission considers that the development of the offshore financial services sector should go in parallel with the development of an appropriate regulatory framework based on principles of good governance in the financial and tax areas, so as to contribute to improve the sustainability of the financial and tax systems of sovereign countries, while reducing their potential vulnerability towards exploitation by taxpayers abusing other countries' tax systems.

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I. 1.3 Main bilateral agreements

Cooperation between the European Union and Belize began with the first Lomé Convention, which was signed in 1975. The Fourth Lomé Convention expired in 2000 and the Cotonou Agreement, a new partnership agreement for political and economic cooperation between the fifteen EU Member States and 77 African, Caribbean and Pacific (ACP) countries, was signed in June 2000. These agreements have over the years formed the basis of EU-ACP cooperation and accordingly EU-Belize cooperation.

Successive five-year National Indicative Programmes (NIPs), funded under the European

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Development Fund (EDF) and embracing a number of key projects in areas essential to the country's human and economic development, constitute the bulk of EU assistance to Belize. Total financial assistance to Belize from the EU since the beginning of the Lomé Convention in 1975 is estimated at 93 million euros. This amount does not include bilateral cooperation by EU Member States or benefits from the regional programme or the trade preferences and protocols.

Apart from EDF funding, other instruments of EU cooperation with Belize have included the European Investment Bank (EIB), which has funded loans from its own resources and risk capital. Belize also qualifies for funding from the Caribbean Regional Programme and the various special instruments designed to support development cooperation. In addition, Belize has benefited from the Special Framework of Assistance (SFA) to ACP banana producers, as well as the Sugar Protocol.

In line with the Cotonou Agreement, in which the ACP countries and the EU agreed to conclude WTO-compatible trading arrangements, Belize is actively involved in negotiating, under the framework of CARIFORUM, the Economic Partnership Agreement (EPA) for the Caribbean.

CHAPTER II: COUNTRY DIAGNOSIS

II. 1. Analysis of the political, economic, social and environmental situation

Belize is a sovereign state governed on the principles of parliamentary democracy and a written Constitution. The governmental system is based on a Westminster modelled bicameral legislature, comprising a 31-member House of Representatives and a 12-member appointed Senate. The country has conducted six general elections since independence in 1981, resulting in three changes in the party in power. After free and fair elections held on 7 February 2008, the opposition United Democratic Party (UDP) prevailed, with a landslide victory, winning 25 seats, ousting the ruling People's United Party. The new Prime Minister is the Hon. D. O. Barrow.

Representative democracy was formalised at local level in 1999 with the enactment of the Town Council Act and the Village Councils Act and the subsequent recognition of 182 villages with village councils. In addition, the indigenous communities of the Maya have been able to maintain some governance structure through their Alcalde system.

II. 1.1 Political and institutional situation

Governance

Good governance has been recognised as part of the institutional framework in the Medium-Term Economic Strategy 2003-2005¹. The strategy highlights, among other things, levels of participation, accountability and transparency as major characteristics of good governance. However, the practice of representative democracy has not really been translated into either effective accountability or popular participation, and the institutional structure to enforce public scrutiny remains weak.

The Government has, however, made some progress on the agenda of improving overall governance with the establishment of the Office of Governance in September 2005. Some of its stated objectives are to promote the improvement of the public service, to influence the development of structures and capacities of government agencies, to bring awareness to the democratic process and to support policies formulated for the common good. The strength of this office lies in its location within the highest cabinet office (the Office of the Prime Minister) and the support it receives from international partners. The weaknesses within its structure may be found in the level of training of its staff, lack of planning capacity, financial support, weak communication capability and the potential intrusion of personal and political agendas.

Governance at village and community levels continues to improve with greater autonomy being given to village councils and capacity building training for the National Association of Village Councils (NAVCO). The improved commitment to consultation with non-state actors, including those at local and community levels, is evidenced by

¹ 5.3 Institutional Framework (5.3.1), Medium-Term Economic Strategy, 2003-2005, p. 74.

various ongoing sessions such as those for the establishment of a Petroleum Revenue Management Fund and for the National Poverty Elimination Strategy and the related Action Plan. The National Poverty Strategy was launched in January 2007 and the National Poverty Elimination Action Plan will be launched in early April 2007.

Social cohesion

Over the past two years, Belize has witnessed the spill-over of tensions on the political landscape into social upheaval on the streets. The proposed tax increases precipitated a series of strikes organised by various trade unions and by teachers and other public sector workers demanding the pay increases promised in the 2003 election campaign. Unfortunately, these political protests led to looting and destruction in April 2005 in Belize City. The potential still remains for the Government's adjustment policies to trigger social disturbance in the absence of any institutional mechanism to make "negotiations with social partners" credible.

Justice and human rights

The fundamental principle of justice, including the right to life, liberty and security, are all enshrined in Sections 1 to 19 the Constitution of Belize. In the administration of justice, Belize maintains a hierarchical formal legal system characterised by cascading court levels, including the Magistracy and Family Court system, the Supreme Court and the Court of Appeal. As regards the accessibility of justice, shortage of resources, costs and poor information leave many Belizeans, especially the vulnerable populations, outside of the formal justice system. Belize retains the death penalty for ordinary crimes. No executions have been held in Belize since 1985.

Within the indigenous population, i.e. the Maya villages of southern Belize, there is the Alcalde system. Alcaldes carry out a dual role of law enforcer and community leader. The latter role is duplicated with the introduction of elected village council chairpersons.

Regional migration

Belize is part of two global sub-regions, Central America and the Caribbean Community. It seeks to use this position to the advantage of commerce and trade with both sub-regions. However, this position also allows for the unofficial movement of goods, labour and illegal substances. These sub-regions have the two highest levels of labour-related emigration in the world. Approximately 12% of the labour force in the Caribbean has migrated to OECD member countries, while Central America ranks second at about 7%.

Belize pays a high price for this position in both immigration and migration of its citizens. Roughly 30% of Belize's labour force has migrated to the developed world over the past few decades². While Belize may have lost some of its skilled labour, it has become the recipient of migrants from neighbouring countries in Central America, looking for livelihood opportunities especially through wage employment primarily in rural Belize.

Security

² Ibid, Table 6, p. 43.

In the area of security, Belize recognises that its borders with Central America are very porous. While human trafficking is not seen as a substantial issue in Belize, the Government appointed in 2004 a task force (Anti-Trafficking Committee) to stay on top of any potential for illegal trafficking in persons. Belize's other major security concern continues to be its territorial dispute with Guatemala. However, efforts by the private sectors of both Belize and Guatemala have surmounted the political tensions and launched negotiations for a *Partial Scope Trade Agreement* (PSA) on 22 November 2005. This agreement will serve as the basis for trade and investments between the two countries and at the same time give influential citizens from the business community of both countries a vested interest in maintaining good and friendly relationships. However, the PSA has yet to be ratified by the Guatemalan Congress.

II. 1.2 Economic and commercial situation

Belize is a small open economy seeking to maintain its past impressive growth in a world of changing competition and free markets. The population of Belize, reported at 291 800³, is too small to provide a robust market for local production. On the other hand its land space of 22 963 km² provides abundant natural resources for the establishment of export agriculture, tourism development, and marine resources to support a vibrant fisheries industry. These three economic activities contribute in excess of 70% to GDP, which reached BZD 2 214m (2005) at current market prices⁴.

Economic situation, structure and performance

The structure of the Belize economy has changed over the last twenty years, with a decline in the primary and secondary sectors. In Belize the bulk of manufacturing arises from processing of primary products, particularly sugar, shrimps and citrus. In 2005 agricultural production accounted for 14.7 percent of GDP, down from 17 percent in 1998. Allowing for agricultural processing, the sector employs around 25% of the labour force.

The services sector including tourism has emerged in this current decade as the leading sector, accounting for 61.3% of GDP and 58.7% of the employed labour force in 2005. Outside of retail and government, tourism is the major employer (13% of total workforce). The performance of this economy is therefore measured in terms of how well each of these sectors perform in volume and value of production, as well as the level of income security that each sector offers to the thousands of individuals dependent on it.

Growth in the Belizean economy has followed a downward trend in the period 2000-2005. From a record growth performance of 13.1% in 2000 economic growth (in real 2000 prices) slowed to 4.0 percent in 2005. A persistent growing fiscal imbalance forced the Government into a more conservative expenditure stance in 2004. The result has been

³ Mid-year Population Estimate (2005) as reported in Agriculture & Fisheries Fact Sheet (2001-2005).

⁴ The Belize dollar, BZD = USD 0.50.

a reduction in the fiscal deficit from 8% of GDP in 2004 to 3.9% of GDP in 2005⁵ and a slowing down of economic growth to 3.1% in 2005.

As at October 2007 there are six licensed casinos operating onshore and zero licensed offshore casinos. There are also 50,665 registered and active International Business Companies (IBCs), 12 international insurance companies, 3 licensed Service Providers for Mutual Fund companies, 3 trust companies and 8 offshore banks (Data source: Office of the International Financial Services Commission and Central Bank of Belize)

Structure and management of public finances

The management of the budget in general and public expenditures in particular has failed to project a sense of sustainability. The current situation has evolved into one in which a high level of taxes is supporting an even higher level of current expenditures, resulting in a chronic budget deficit position. Over the period FY2000/01 to FY2003/04 the overall central government deficit averaged 9.3% of GDP. This situation has been further exacerbated by a major public sector wage increase of up to 8% in each of the three years ending in FY2005/06. This added some 1.5% of GDP to government expenditures.

External public debt climbed from 44% of GDP at the end of 1999 to 97% of GDP at the end of 2003. By the end of 2004, overall public and publicly guaranteed debt had reached 107.8% of GDP of which 91% was external debt. The inevitable consequence is that interest payments by government rose from 2% of GDP in FY1999/00 to 5.9% of GDP in FY2005/06. The major challenge now is to manage the growth in the economy in a manner that will provide the Government with more resources to service its international debt obligations.

Assessment of the reform process

The reform in the system of planning and budgeting has been limited to reductions in Capital II expenditures, i.e. capital expenditures financed from government resources, in order to achieve some reduction in the fiscal deficit. In FY2004/05, Capital II expenditures were reduced by 11%, from BZD 65.67m (FY2003/04) to BZD 58.3m. In the short term there is limited scope for further expenditure cuts without damaging public services. Thus most measures will have to be designed to become gradually more effective in 2006/07 and subsequent years.

The sustainable solution is to link planning objectives to budget formulation and expenditure policy. Given the current complexities in the financial situation, consideration should be given to implementing a macro-economic framework that would predict future available resources and expenditure commitments. This is even more important in the light of the current emphasis being placed by the Government on substantially reducing the level of poverty in the medium term.

Good governance in tax

Belize is a participating partner in the OECD Global Forum on Taxation, which aims to eliminate harmful tax regimes and implement the principles of transparency and

⁵ The Fiscal Year (FY) runs from April to March. Thus 2005 refers to FY2005-2006.

exchange of information for tax purposes. The last meeting attended by Belize was in November 2005, where Belize contributed to the factual assessment of its tax regimes.

Trade policy and the external environment

Like most small open economies, the Belizean economy is very sensitive to changes in its trading position with the rest of the world. Belize's export performance in 2005 reflects the basic reality that the country's producers have little influence over the prices of their products in the international market.

In 2005, earnings from domestic exports rose by 2.5% to BZD 381.5 million. Earnings from non-traditional export commodities such as beans, citrus oils and fresh citrus fruit rose significantly. Marine export production rose by 8.4% to 19.9 million pounds, reflecting increases of 8.5% in output of shrimp and 77.3% in output of fish fillet. The traditional products sugar and bananas, however, declined in sales revenue by 12% and 4.2% respectively. Over the past 15 years the relative importance of sugar and bananas has declined while citrus, other crops and fisheries (particularly shrimp farming) have increased in importance. As the economy has grown, sugar's share of exports has declined, as indicated below.

The EU and the African, Caribbean and Pacific countries (ACP) have been working to put in place new **Economic Partnership Agreements (EPAs)** by the start of 2008. The EPAs aim at progressively and asymmetrically removing barriers to trade and enhancing cooperation in all areas related to trade. They are also aimed at providing an open, transparent and predictable framework for goods and services to circulate freely, as well as to promote incoming investment, thus increasing the competitiveness of the ACP.

On 16 December 2007, the European Commission initialled a comprehensive EPA with Belize and the other CARIFORUM countries (CARICOM plus the Dominican Republic) covering all areas under negotiation.

The general approach is to build on and reinforce regional integration in the Caribbean (market building) and, in subsequent market opening, to use asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and periods for tariff elimination, thereby helping to promote sustained wealth creation and development.

Belize exporters have chosen to respond to the export challenges by increasing their competitiveness. The trade support services network is also being strengthened through the EU-CABCARI (Dec 2005 - July 2006) training exercise to increase market access to the European Union. The Belize Chamber of Commerce and Industry (BCCI) is facilitating the first consultation (17-19 May 2006) aimed at forming national and regional coalitions to promote competitiveness and expand the region's exports. Finally the BCCI is also addressing the issue of accessible trade information.

Belize is committed to the multilateral process in the WTO and to the Doha Development Round. Regarding market access, Belize supports the call for the resumption of Doha but

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the Government is of the view that this should not be done at the cost of sacrificing the interests of small developing countries in the area of special and differential treatment.

A significant relationship that could be bridged regionally may arise with the prospect of a CARICOM-Central America Agreement — whether in the form of a free trade agreement or a partial scope trade agreement building on the CARICOM-Costa-Rica Agreement. Assuming that this is negotiated, it may further change the dynamics of trade with respect to Belize's traditional export markets. Proximity to the rest of Central America could hint at direct advantages if there is successful exploration of the potential links for investments, services and cross-border trade.

Rural productivity and rural development

The majority (52%) of the population of Belize live in rural areas where they depend mainly on agriculturally related employment and income. Due to inward migration of unskilled labour and outward migration of the better educated, poverty levels are high in rural areas, including some households of agricultural workers, particularly migrant workers without access to land. Consequently the rural sector is a large poverty reservoir and urban poverty generator.

The natural resources sectors relevant to rural development in Belize include agriculture (the main source of employment and income), tourism (the largest contributor to GDP and a fast growing service industry), fisheries (characterised by increasing production and some new products such as farmed shrimp) and possibly forestry (for eco-tourism potential). Other sectors include transport (for road infrastructure), education (for the development of human capital) and health.

A baseline survey and other studies have identified a number of opportunities for addressing rural poverty. Agriculture-related opportunities include improving the efficiency of production of traditional crops (namely sugar and bananas, and therefore also improving competitiveness and sustainability) and diversification through adding value (e.g. the processing of citrus to create new higher value products) and the development of new crops (e.g. papaya and pepper). Inland tourism-related opportunities tap the potential created by cruise ships visiting the south and include tours to agricultural enterprises (e.g. banana estates), eco-tourism (to forests, caves, wildlife sites) and cultural tourism to Maya heritage sites. Concerning fisheries there is potential to expand and diversify shrimp and fish farming.

The main constraints to these opportunities have been identified as lack of access to land (for food security and diversification of household income), lack of market access (small volumes, high transport costs), lack of appropriate and timely market information and poor transport infrastructure. In the health and education sectors the main constraint is the high cost of providing services to the rural poor.

Rural income and employment is not exclusively limited to agricultural production. Agricultural activities are important because of the significant role played by the production of sugar, bananas and citrus in generating wage incomes.

Without an effective programme to support rural development, rural areas will still be associated with low incomes because of limited access to inputs and credit, the lack of a good distribution network, the limited access to support facilities and to opportunities to add value to primary production. Rural areas also suffer from the lack of other beneficial factors which are more readily available in the rest of the economy. Particularly important among these are appropriate technological innovations, organised market intelligence systems and accommodation in the established supply chains. Most noteworthy is the apparent inability of small rural producers to institute among themselves reliable measures of standards and quality in production which can open market access to their outputs beyond their immediate environment.

The banana and sugar industries are central to rural development in Belize. Bananas are the third largest agricultural export after sugar and marine products. Banana production of approximately 80 000 tonnes recorded in 2004 represented an 8.4% year-on-year increase. Export volumes increased by 7.2% but lower prices meant earnings increased only marginally, to BZD 49.7 million (USD 24.9 million), because prices for the EU market (UK and Ireland) were down by 4.6% in 2006.

At present there are twenty-one banana farms in the industry owned by five farmers, organised in a Banana Growers Association (BGA). The smallest plantation is about eighty-one hectares. The BGA assumed responsibility for the industry on 1 April 1991. The Association provides agricultural support services to the growers, who pay for the services provided by the BGA through a per box deduction on a weekly basis. The BGA is also the industry's sole representative for the sale of bananas originating from Belize. There are currently 2 285 hectares of bananas planted in Belize.

With six thousand people directly or indirectly employed by the banana industry, it is the primary employer in the south and represents about 8% of the country's labour force. At least twenty communities in southern Belize directly depend on the banana industry. The industry plays a key role in the development of the south of the country, where the incidence of poverty is relatively high. It is therefore vital for Belize to undertake indispensable reorganisation to keep its banana sector competitive in this fast-changing environment.

Many of the banana workers are Garifunas and Maya Indians: some natives of Belize, others drawn from nearby Central American countries (principally Guatemala and Honduras) by relatively high wages or displaced by war. Belize's continuing pioneering role and dependence on local populations is argued to be a key reason for supporting the development of the sector.

In 2005, sugar production accounted for almost 4.5% of total GDP. On average Belize produces about 1.2 million tonnes of cane/year, yielding between 115 000 and 125 000 tonnes of sugar per year, of which most is exported to the EU, some to the US, and some within the Caribbean, including Jamaica. The domestic market is negligible.

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The sugar industry is privately owned, i.e. there are no public farms or factories. In total, there is about 60 000 hectares of sugar cane land. The efficiency of sugar cane production varies greatly but a large number of poorly managed smallholder farms means that the industry average is low at 16-17 tons/ha. Much of the smallholder managed sugar land has aging stands and is inefficiently managed. There is only one sugar factory, which is owned by the Belize Sugar Company (BSC). This factory is quite efficient with a history of reform. The BSC also owns some sugar land.

It is estimated that 40 000 persons are dependent on the sugar industry. Approximately 8 500 people are independent cane farmers. The sugar industry plays a crucial role in the standard of living of 85% of the people living in the so-called "Sugar Belt" (Corozal and Orange Walk Districts). Forty percent of the rural population of Belize live in the Sugar Belt. The sugar factory employs around 300 people, although this number is likely to be reduced due to ongoing improvements at the factory.

The **institutional framework for rural development** in Belize is a web of governmental, semi-governmental and private entities, including the Ministry of National Development; Ministry of Agriculture; Ministry of Labour and Local Government; Ministry of Human Development and Women's Affairs; Ministry of Natural Resources and Environment; District Development Committees established by the GoB; civil society; local communities; companies, etc.

The overall **policy framework for rural development** is set out in the National Poverty Eradication Strategy Action Plan (NPESAP) for 2006-2010. Poverty reduction forms the centrepiece of the Government's development strategy and rural poverty will continue to be addressed through: the development of small, medium-sized and micro enterprises (SMEs); the strengthening of capacities in the rural area; the promotion of small-scale agricultural and rural development projects; and the implementation of rural community-based projects to improve social infrastructure in the villages.

Specifically for the sugar sector, in April 2006, the Government of Belize submitted a *Belize Country Adaptation Strategy for the Sugar Industry 2006-2013 (BCS)* which had five elements:

1. Increasing the efficiency of sugar cane production, processing and transportation;
2. Diversification within the sugar industry;
3. Agricultural diversification in northern Belize;
4. Socio-economic assistance in northern Belize targeted at groups who are unable to pursue alternative opportunities for livelihoods in agriculture;
5. Policy assistance that will contribute to a sustainable sugar industry.

II.1.3 Social situation

Belize's population growth is driven by both relatively high rural fertility rates and immigration into rural communities. 52% of inhabitants live in rural communities where household sizes are slightly larger on average than urban households. The Belizean

workforce is approximately 98 000, but a relatively high age-dependency ratio⁶ of .84 implies a relatively high level of economic burden being placed on the working age population to care for vulnerable dependents at both ends of the life cycle spectrum. This situation is exacerbated by a report that three out of ten workers can be classified as poor⁷.

Poverty profile

As part of the NPESAP preparation process, a Poverty Map was prepared that lists virtually every community in Belize (some 209 villages) by degree of poverty⁸. The study confirms the predominance of poverty in the Toledo District and provides details on the distribution and condition of poor people in the other districts.

Pockets of poverty exist in all districts of Belize, including Belize City. The latest Country Poverty Assessment (CPA), released in June 2004, indicated that 33.5% of the population of Belize was considered to be poor (not able to meet basic food and non-food costs) and 10.8% was deemed very poor (not able to meet basic food costs)⁹.

Generally groups considered especially vulnerable to poverty include children and young people, the elderly, the disabled, female-headed households, small farmers, landless labour and indigenous Maya. On the national level, Maya settlements experience the highest rates of poverty, with 66% being defined as poor and 30% as extremely poor. In the urban centres, pockets of poverty are also self-evident and potentially explosive.

The causes of poverty are predominantly economic, stemming primarily from unemployment, low productivity and low earnings. Poor people in Belize typically have low or lower levels of education, poor health, insecure access to natural resources (land, aquatic resources and forest) and inadequate access to financial services, while facing high costs of transportation and public utilities relative to their income.

Thus indicators of effective instruments for addressing poverty are the level of expenditure in health and education; the impact of trade policy adjustments in the major agricultural productive sectors on employment and income generation; and the ability of the economy and of communities in areas with low infrastructure to rebound from natural disasters.

Health

Belize's progress (MDG Report 2005) in achieving these goals can be summarised as follows (see also Annex 2):

- Belize is far behind on the eradication of extreme poverty, behind in the combat against HIV/AIDS and other major diseases;

⁶ This is a ratio of children less than 14 years of age and elderly persons 65 years or older as a percentage or proportion of the working age population (15-64 years). It is actually an aggregate ratio of two sub-ratios (the child dependency ratio and the old-age dependency ratio) and is considered a crude indicator because it does not incorporate adjustments for labour force variables such as employment, unemployment and underemployment.

⁷ Factual Conclusions, National Human Development Report (NHDR) 2005, p. 75.

⁸ See *Poverty Map for Belize*, AEPISA, September 2005.

⁹ *2002 Poverty Assessment Report*, National Human Development Advisory Committee, June 2004.

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- Belize is reasonably poised for achieving improvements in maternal health;
- Belize is well poised in achieving universal primary education, promoting gender equality and empowerment of women and reducing child mortality and at various levels of achievement on the target of ensuring environmental sustainability and developing a global partnership for development.

The “vision” or mission statement of the Ministry of Health is to create “... a national health system which is based on equity, affordability, accessibility, quality and sustainability in effective partnership with all levels (sectors) of government and the rest of society, in order to develop and maintain an environment conducive to good health”. This extends to the rural sector. However, in many rural areas the principal challenge facing the achievement of this vision relates to the difficulty and cost of providing services to poor, rural communities with low density populations.

The performance of the health sector with respect to children’s health is measured by the under-five mortality ratio (U5MR). This measures the probability of survival between birth and five years of age and is expressed per 1 000 live births. The U5MR increased from 16.4 in 1990 to 26 in 2000 and then declined to 19.5 in 2003. The main reasons for such high proportions of death among under-five children during the 2000-2003 period were communicable diseases (24.3%) followed by external causes of injury including transport accidents (11%) and accidental drowning (9.5%).

Belize’s maternal mortality rate was calculated at 40.4 per 100 000 live births in 2003 in order to make comparisons with regional and global averages. It compares favourably with the regional average of 190 (Latin American and the Caribbean) and is on par with the global average of 40. The number of physicians in Belize has increased from around 0.6 per 1 000 persons during the early 1990s to about 1 per 1 000 persons by 2000. Data for 1998-2001¹⁰ show that the number of health workers (physicians, dentists, nurses, community health workers, pharmacists and social workers) is also growing as fast as the population.

The National Health Insurance Scheme is a response to address the financial capabilities of families to access quality health care. The scheme began a registration drive in the southern districts of Stann Creek and Toledo (two of the poorest districts) in November 2005. This scheme should improve the delivery of primary health care to all nationals regardless of their ability to pay. The challenge of the scheme will be to convince the working public of the benefits of any increased social security contributions from employment incomes.

Belize’s current HIV prevalence rate is 2%, the highest in Central America and the fifth highest in the Caribbean. Mother to child transmission of the virus is the most significant source of infection in children below the age of 10 years, who account for 6% of all HIV cases and 4% of AIDS cases. Strategies to prevent and/or mitigate this transmission have become essential. The need to focus on the rights of women, girls and young people in general is also a focus on the impact of poverty on current and future generations. This

¹⁰ Government of Belize, Abstract of Statistics, 2004.

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prompts concern to link poverty analysis and implementation with HIV/AIDS policy and implementation. To achieve this, collaboration is recommended between the NPESAP coordinator and relevant officials from the Ministry of Health, the National AIDS Commission, PAHO and civil society HIV/AIDS networks, to identify appropriate links between poverty reduction initiatives and HIV/AIDS policy and implementation.

To integrate the health services into the drive to reduce poverty, particularly in the rural areas, the Government would need to institute measures to improve access to and quality of mobile services to families especially in the rural communities, reduce the cost of treatment to families especially in vulnerable areas and invest in human resource capacity at community level in an effort to strengthen local response capabilities.

Education

The MDG targets with respect to education are largely on track (see also Annex 2). In 2005 the Primary Completion Rate increased considerably from 37.0% to 44.8% over a five-year period. This is indicative of considerable improvement in the percentage of children who progress through and complete the primary school cycle within the prescribed eight years.

Primary education in Belize is generally managed through a church-state partnership in which the Government finances 100% of teachers' salaries and contributes to infrastructure and maintenance of school facilities. This approach is intended to ensure availability, access and affordability to all children between the ages of 5 and 14 and for whom primary education is mandatory. Belize seems to have done well in achieving high attendance levels. Primary net enrolment rates indicate that during the 2002-2003 school year, 90.3% of students between 5 and 12 years were enrolled. This comprised 91.2% of the female students and 89.4% of males.

Gross secondary school enrolment also showed significant improvements. World Development Indicators (WDI) indicates that the net secondary school enrolment rate rose from 31% in 1990 to 68% in 2002¹¹. Interestingly, however, while about 84% of primary school graduates entered secondary school, the completion rates have only been in the 58% to 63% range with no upward trend.

However, some major challenges remain, directed more at private individuals than at the institutional structures. The first is costs. Based on the 2002 Living Standards Measurement Survey (LSMS), the mean cost to the families of primary schooling was BZD 444 (USD 222) per student per year. Among poor households, a significant portion of this was spent on transportation and meals and other non-educational expenses. The second challenge lies in ensuring that the level of investments in education results in greater levels of achievement and higher quality outputs. This is not only true for the measurable outcomes in English, Mathematics and Science scores in the Primary School Examination (PSE) but also in the cultural relevance for and capacity building of persons who for one reason or another may have to terminate their formal education at the primary level.

¹¹ World Bank Development Indicators, 2005.

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The content of education curricula should be significantly impacted in the future by innovative pedagogy such as the Tumuk'in experience in the Blue Creek area of southern Toledo and the more general project to streamline the teaching of African and Mayan History in the curriculum of primary and secondary schools in Belize. These initiatives are sowing the seeds for cultural relevance and building on the knowledge of people and how they respond to their needs and aspirations. It is easy to appreciate the impact of such an educational content on the next generation of citizens from Toledo and Stann Creek.

Gender issues

Gender issues in Belize still lack a strong policy focus. This is because Belize has an outstanding record in gender equality in access to education. However, as a UNICEF (2004) analysis contends, achieving gender equality in education does not automatically lead to improved equity in participation, economic empowerment and well-being.

According to the 2003 Labour Force Survey¹², women in Belize have:

- approximately half the male rate of labour force participation (41.9% female, 78.4% male);
- half the male level of employment (men constitute 68% of the employed labour force compared to 32% for females);
- more than double the male rate of unemployment (20.7% female, 8.6% male); and
- more than double (8.7%) the male rate (3.3%) of long-term unemployment (greater than 12 months).

This data clearly implies that Belize is lagging far behind in relation to women's economic and political empowerment. According to the 2002 National Gender Policy, "Despite better educational qualifications, women continue to be denied equal opportunities in employment: in recruitment, promotion, salary rates and employment benefits. Short of adopting gender employment quotas or implementing affirmative action provisions, there is a need to closely monitor employer practices and enforce equality of treatment in the labour market".

It is also important to connect the conditions under which children suffer to the conditions with which their mothers have to cope. For instance the leading cause (60%) of infant mortality during 1999–2003 was conditions originating in the prenatal period. This fact cannot be separated from the results of poverty, the lack of access to basic services and domestic violence that afflict women in the society. To increase awareness of these inter-connections will require statistics that allow us to be more analytical than descriptive.

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Non-state actors

The most significant partnership in the delivery of social services and raising the effectiveness of social investment is the NGO community. This community feels overwhelmed at the scope of the problems they see. However, they all want more government recognition of the problem, more resources devoted to targeted poverty reduction initiatives and to be consulted as the new poverty action plan (NPESAP) is developed.

The private sector continues to receive organised support to prepare its members to meet the challenges of international competition. The BCCI's latest efforts in building coalitions of exporters and identifying trade opportunities are initiatives with very good long-term prospects. Most of the private sector is sceptical about the Government's capacity to address poverty problems. They believe that there is too much "politics" involved. When asked "what works" in reducing poverty, education and vocational/technical training got high marks, and land security was usually mentioned, as was the need for credit. However, this sector is restrained in serving as a focal entry for small "satellite producers"¹³ to enter the market. The main gulf lies in the preparedness of small producers, not so much in the area of volumes, but in the area of standards and consistent quality of output.

II.1.4 Environmental situation

A major source of the country's environmental problems lies in liquid and solid waste quantity and inadequate disposal. While urban areas have some waste disposal systems in place, rural areas are left completely unchecked. Fortunately, work on the Solid Waste Management Project was initiated at Mile 24 on the Western Highway. A 2% environmental tax across all imports is intended to finance solid waste management. The funds, however, are still to be made available for this purpose.

Growth in the tourism and fisheries sectors, including in fish and shrimp farming, has raised the importance of integrated coastal zone management in Belize, in particular conservation and sustainable use of the Barrier Reef Complex. Questions currently exist as to the capacity and commitment of the Government to assume the responsibility for the long-term challenges and opportunities inherent in managing the coastal resources of Belize into the future. Similarly, increases in the number of short-term immigrant workers on banana and citrus plantations located adjacent to protected areas is a threat because of their illegal hunting and fishing within the protected areas.

Climate change is having significant and serious impacts on developing countries as highlighted in recent reports of the Intergovernmental Panel on Climate Change (IPCC). The impact of climate change will increase over years and the projected sea level rise will affect coastal areas. Climate change is a threat to sustainable development. Belize is signatory to the United Nations Framework Convention on Climate Change (UNFCCC).

¹³ Satellite producers are not only responsible for monitoring and guaranteeing the quality of their produce but depend on these characteristics to maintain their access to the supply chain.

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Belize is also signatory to two other important conventions which should have an impact on the country's development strategy. These are the United Nations Convention on Biological Diversity (UNCBD) and the United Nations Convention to Combat Desertification (UNCCD).

There is routine use of pesticides in agricultural production systems in Belize – e.g. the aerial spraying of fungicides in banana growing. Non-compliance with recommended regulations by producers has raised human health and pollution concerns. Since most commercial agriculture is for export, pesticide use and impacts invariably need to comply with industry and commodity standards. In cases where a sector support programme is envisaged (namely, for sugar) a Strategic Environment Assessment (SEA) will also be undertaken.

In terms of sustainable forest management Belize is not a part of the Forest Law Enforcement, Governance and Trade (FLEGT) initiative - the European Union's response to the global problem of illegal logging and the trade in associated timber products. However, the Forestry Department of the Ministry of Natural Resources and Environment has adopted a National Strategic Plan for 2005-2010. The overall goal of the five-year plan is to have in place a regulated and integrated management programme for forest resources, which are recognised for their ecological functions as well as for their contributions to the local and national economy.

A Department of the Environment (DOE) assessment has pointed to weaknesses in coordination at the highest levels of government on natural resources and environmental policies and their implementation. The management of protected areas falls under the responsibility of three ministries: the Ministry of Natural Resources, Local Government and the Environment, the Ministry of Agriculture and Fisheries, and the Ministry of Education and Culture. The ministry responsible for tourism does not have a legal mandate to manage any protected area; however, they are a key stakeholder in the use of these resources and employ a growing proportion of the Belizean workforce.

II. 2. Belize's development strategy

In his Budget Address (March 2006) the Prime Minister described the advent of his party (PUP) in government as “driven by the need to grow the economy”. The Government “set out to stimulate the economy by investing significant public funds in major infrastructure projects and housing financed by loans and privatisation proceeds. At the same time we sought to promote private sector development through enhanced development incentives and creation of Export Processing Zones and Commercial Free Zones as mechanisms for job creation”. The Budget Address also recognised tourism as “the leading economic sector of Belize with great potential for all Belizeans to benefit”¹⁴.

¹⁴ Quoted from “Charting a New Way Forward” - Budget Presentation for Fiscal Year 2006/2007 by Rt. Hon. Said Musa, Prime Minister and Minister of Finance. Belmopan, 17 March 2006.

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The services sector indeed provides an opportunity for Belize to bolster its socio-economic position. This sector represents Belize's best opportunity for sustained economic growth in the medium to long term. The benefits of the services sector to the economy of Belize are hard to question. This sector reportedly accounted for 61.3% of GDP and 58.7% of the employed labour force in 2005. The growth potential of the sector, especially the tourism sub-sector, is obvious to many.

The Prime Minister in further describing his budget as a "development budget" also repeated its intention to focus on the needs of the poorer classes of people in the urban and rural areas. This element of the development strategy of Belize targets poverty reduction as a strategic objective particularly in the rural areas, where 42.5% of the population is reportedly living below the poverty line. The focal area is rural development with emphasis on direct and indirect assistance to the private sector in support of increasing agricultural production and rural employment; support for the traditional productive sectors of sugar and bananas to soften the impact of their adjustment to the changing trade opportunities on dependent communities; and capacity building of the public administration with a view to facilitating Belize's full participation in trade negotiations relating to Belize's merchandise exports.

Agricultural diversification in terms of both new export crops and value added to traditional production is envisioned as the engine of growth in the rural economy. This would create income and employment generating opportunities for the poor and the marginalised population, particularly women and youth. Accompanying this approach is the focus on improving the provision of basic social services, physical infrastructure and welfare assistance. This is demonstrated by the reallocation of capital expenditures in FY2005/06, with social services increasing its proportion from 18% in FY2004/05 to 35%.

This strategy, however, needs support in its primary focus of creating productive opportunities that will directly benefit the poor and poorest strata through the enhancement of their capacity, employment, income, capital assets and quality of life. The two driving forces in this regard are private sector participation and active collaboration of the targeted population in both determining and managing the pace of their development.

Public sector response for poverty reduction

In Belize, the Public Sector Investment Programme (PSIP) is the State's primary mechanism for planning, targeting and tracking economic development and poverty reduction project initiatives, while the Social Investment Fund (SIF)¹⁵ is considered the hub agency through which the Government implements these development projects. Both the PSIP and the SIF are under the ministerial oversight of the Ministry of National Development, Investment and Culture (MNDIC).

¹⁵ The current SIF is a four-year project which totals BZD 19.7 million and constitutes a small portion (approx.3%) of total development assistance expenditures. In 2004, it financed 49 projects nationally culminating in a total of BZD 11 million (project average: BZD 225 700).

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Successive government administrations have recognised and prioritised the poverty issue¹⁶. However, success in addressing poverty has been elusive. An evaluation of the first NPESAP¹⁷ found several shortcomings in the approach including:

- There was a lack of a *strategic approach* to poverty elimination beyond grouping projects under six themes;
- Project *implementation procedures* often lacked baseline benchmarks or end-of-project indicators of change;
- *Coordination* among clients and implementing agencies was weak or absent; and
- *Empowerment* efforts were weak or absent.

The official response of the Government is to be found in the **National Poverty Eradication Strategy Action Plan (NPESAP)**. Although the majority of poor people in Belize live in rural areas, this response is not exclusively a rural poverty response. The reality is that urban/metropolitan areas are significant political constituencies within Belize. In fact, in Belize City itself, there are highly visible indications of urban poverty such as shabby housing, high unemployment and high crime rates which must be addressed. It is expected that political power will dictate the final configuration of this strategy.

At programme level there has been a reliance on high levels of international funding to develop and implement poverty reduction initiatives¹⁸ that are often not conceptually and programmatically aligned with other social and economic initiatives. At the level of state intervention there has been more emphasis on the construction of physical structures than on the reconstruction of power relationships. The disconnect between poverty reduction initiatives and the national budgeting process is symptomatic of this approach. The State's approach needs to be accompanied by a policy map indicating how the poverty reduction measures are expected to influence the budgetary process with regard to the content of resources for pro-poor investments.

The **National Poverty Elimination Action Plan (NPEAP)** was adopted in March 2007 and is an attempt to bridge this disconnect between development needs and the budget for the period 2007–2011. The NPEAP will incorporate approved and ongoing programmes, such as:

- the Toledo Strategy and Action Plan (TSAP). The TSAP finalised in March 2006 sets out a poverty reduction strategy through geographical targeting; it is under the responsibility of the Toledo Development Corporation (TDC);
- the South Side Poverty Reduction Project. The project estimates that some \$47m will be needed to be allocated in the next five years to improve the physical environment and quality of life in the South Side of Belize City;

¹⁶ The Prime Minister in his Budget Presentation (March 2006) expressed the following sentiment: "This is a development budget. It focuses on the needs of the poorer classes of people in our urban and in our rural areas".

¹⁷ *Outcome of Existing Poverty Reduction Measures*, Michael Roseberg, 20 May 2005.

¹⁸ The vast majority of operations are project-based and characterised by weak sustainability strategies and limited duration.

- the objective of the ongoing EU-funded Belize Rural Development Project (BRDP) is to reduce poverty in Belize by supporting the rural sector. It aims to improve the standard of living of the rural population through “integrated development”, bearing in mind the agricultural base of the Belizean rural economy and the existing rural development programmes that the Social Investment Fund (SIF) implements;
- the CDB contributes to poverty reduction in Belize by providing financial resources and strengthening the capacity of the Belize Social Investment Fund (BSIF) to improve living conditions in poor communities.

II.3 Analysis of the viability of current policies and the medium-term challenges

Sustainability of current government policies

There are three overriding concerns that are driving government policies. These are to bring the fiscal balance within manageable proportions and restore confidence in the Government’s financial management; to achieve better harmonisation of policies and donor support; and to build resilience in the economy to withstand external trade-related shocks and internal natural disasters.

In Belize, government priorities are not systematically formulated and translated into budget policy. It is usually left to the line ministries to formulate the stated government policies in their annual programmes. This reduces the medium-term planning perspective and can easily lead to inappropriate and ineffective expenditures in the absence of policy coordination. In such circumstances the Government has been forced to concentrate more on imposing discipline on its annual expenditures than on realigning its total budget approach to reflect the strategic priorities: the reform of public financial management, which is in its infancy, is currently concentrating on reducing capital expenditures, publicly-guaranteed debt and the fiscal deficit¹⁹.

The implication of this approach is that the Government cannot implement its expenditure programme to regain macro-economic stability and at the same time increase its ability to mount new programmes that incur significantly new expenditures in personnel and other resources. The Government is likely to look more to the donor community for support for its commitments to new ventures in furthering the objectives of rural development and poverty reduction.

The Ministry of National Development, Investment and Culture seeks among other things to coordinate external support for the policies of the Government. With respect to Belize-EC cooperation, this is the mandate of the National Authorising Officer (NAO). The NAO’s capacity to coordinate donor support is strained because of limited staff and the need for stronger instruments to effectively align donor aid with medium-term development plans. As a result, it seeks to perform more of an oversight role. But even in

¹⁹ There have been moderate attempts to increase government revenues but these have met with strong opposition from other stakeholders.

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this respect the NAO has not been too successful as most of the executing agencies report directly to their line ministers.

The need for the harmonisation of policies is self-evident in the commitment of the Government of Belize (GoB) to reform and poverty reduction, within the context of wider development partnerships and practices. In fact the groundwork for a self assessment was established in the ten benchmarks of the UK-DFID's assessment of Belize's eligibility for 2004/5 debt payment cancellation under the Commonwealth Debt Initiative (CDI). These benchmarks can form the basis for an assessment of the harmonisation of policies.

The biggest challenge, however, comes in building resilience in the economy in terms of both the production base and the population involved in production. This is the question of addressing rural development in general and incidences of poverty in particular. The key to sustained economic growth is the ability of both the population and productive enterprises to adjust to external shocks and domestic natural disasters. It is clear that more will have to be done with fewer resources than were available in the early 2000s.

The art of "achieving more with less" has three major components. First to be addressed is the efficiency of the allocation of the scarce resources. Performance budgeting and performance management require the measurement of services delivered as a result of spending programmes. In this regard the unit cost of delivering such services is critical. The Government will need to move expeditiously to introduce measures that will ensure that social spending is cost-effective.

The second component has to do with partnership. Achieving more with less requires more active participation of the population in improving the efficiencies of the social and productive system. Governance structures that allow the innovative energies of all stakeholders to be directed towards a common vision are fundamental pre-requisites in the Belizean context. Devolution of planning authority and financial management needs to be strengthened at local level. The absence of concrete measures moving the Government in this direction is indeed a red flag to the sustainability of its governance policy.

The third component of "doing more with less" is building the capacity of the social and economic actors to capture the benefits of trade adjustment. Fortunately for Belize, there are an abundance of private-sector and non-state actors who are mobilising and empowering themselves to move their systems forward in the interest of their economic enterprises. If successful, this accrues to the benefit of the national economy.

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CHAPTER III:

OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

III. 1.1. Focal Sectors

EUR 8.8 million was allocated under the **9th EDF**, EUR 7.8 million to programmable resources under the A Envelope and EUR 1 million for unforeseen needs, under the B Envelope. The Focal Sector was **rural development, with focus on agriculture**. The non-focal programme included **institutional support** for Belize's public administration.

Focal Sector 1: Rural development with focus on agriculture

The overriding objective of the Focal Sector was to reduce poverty in Belize and improving the standard of living of the rural population. As a result of the implementation of the BRDP, the percentage of rural poverty (measured in terms of median income in rural areas) is expected to decrease by 3.5% in 2007 and by 5% in 2008.

The instrument for implementing activities in the Focal Sector is the Belize Rural Development Programme (BRDP). This programme became operational in January 2006, and is expected to continue its operation well into 2008. The main reason for the late start was the commonly recognised need, both by the EC and the GoB, for the focus to be broadened from "agriculture" to "integrated rural development" in order to improve the poverty reduction impact of the programme, an objective that had not been investigated so thoroughly in the feasibility study carried out to prepare the programme. The NPES indicated that incidence of poverty was greater in rural (44%) than in urban (23.7%) areas of the country. For this reason, the GoB has committed itself to a broad-based approach to rural development with specific resources to address poverty reduction and to support the efforts of marginalised populations to enter the mainstream of economic activity. Following intensive discussions and preparatory work the concept of integrated rural development was translated into the BRDP.

Lessons learnt from BRDP, including the need to invest in infrastructure to promote rural enterprise development, are that well prepared project planning, including data collection, is of utmost importance in assuring that measures are relevant. Also, that sound policy and planning must be backed up by adequate capacity building and training of the implementing agencies and beneficiaries. Recent experience with the BRDP has shown the need to simplify programme design to minimise the administrative burden in relation to the desired results.

III. 1.2. Projects and programmes outside focal sectors

The only project financed under the 9th EDF which was outside of the Focal Sector was assistance to the office of the National Authorising Officer. The purpose of the

assistance was to increase the capacity of the NAO's office in project design, formulation and appraisal through to their implementation and monitoring (PCM) according to EDF procedures. Although these resources have been a welcome help, the NAO's office still struggles to cope with the volume of administrative tasks related to Belize-EU financial agreements.

The first lesson learnt from this experience is that preparatory measures must be in place to ensure that recipient countries are technically capable of implementing EU regulations. The second lesson is that closer attention needs to be given to the administration of project management both at the level of the executing agency and particularly with the involvement of steering committees.

Technical Cooperation Facility

Under the 9th EDF a Technical Cooperation Facility (€546 000) was adopted in early 2004 with the objective of strengthening the capacity of the NAO's office through (i) the provision of Technical Assistance, (ii) the definition of an appropriate rural development policy, and (iii) the organisation of training and seminars for the NAO office staff. The implementation of the TCF became effective in 2005.

III. 1.3 Utilisation of B Envelope

Under the 9th EDF Country Support Strategy and National Indicative Programme (CSS/NIP) Belize was awarded an allocation of €1 000 000 to cover unforeseen needs, such as emergency assistance following disasters and losses in export earnings. These funds were used for the construction of the Silver Creek Bridge, which was destroyed during floods resulting from a tropical storm in 2004.

III. 1.4 Other instruments

Special Framework of Assistance (SFA)

Council Regulation 856/1999 established the Special Framework of Assistance for traditional ACP suppliers of bananas to the European Union. **Over the last eight years EUR 23.88 million** has been committed under the ten-year SFA programme (banana budget line). Implementation is likely to continue throughout the implementation period of this NIP and the two remaining annual commitments could increase this amount by up to 20%. Its utilisation is aimed at increasing the productivity of banana cultivation and maintaining and/or improving the living standards of the farmers and their workers in the traditional banana growing areas. Due to the geographically focused commercial cultivation of banana, the activities and impact of the SFA are limited mainly to the Banana Belt in southern Belize.

Belize Country Adaptation Strategy for the Sugar Industry 2006-2013 (BCS)

The objective of the BCS is to ensure the "*existence of a viable sugar industry that continues to be a major contributor to economic growth and stability and social development in Belize*". The main features of the BCS are increasing efficiency of sugar

cane production, promoting agricultural diversification in northern Belize and pursuing socio-economic measures.

The Government of Belize submitted the *Belize Country Adaptation Strategy for the Sugar Industry 2006-2013 (BCS)* in April 2006. The BCS has five elements:

1. Increasing the efficiency of sugar cane production, processing and transportation;
2. Diversification within the sugar industry;
3. Agricultural diversification in northern Belize;
4. Socio-economic assistance in northern Belize targeted at groups who are unable to pursue alternative opportunities for livelihoods in agriculture;
5. Policy assistance that will contribute to a sustainable sugar industry.

The EU support for the BCS is an opportunity to directly support rural development and poverty reduction in the quite densely populated Sugar Belt. Ensuring policy and strategy coherence between the BCS and CSP will also maximise the impact of EC assistance to Belize, and in particular contribute to the successful implementation of the National Development Plan and poverty reduction. The assistance will include, among other things, improving access to inputs and information, improving infrastructure, capacity building, institutional strengthening and technical assistance as necessary.

III.2 Information on the programmes of the Member States and other donors

Two other Member States have maintained a funding relationship with Belize. The Commonwealth Debt Initiative (CDI), administered by the United Kingdom's DFID, released GBP 1 458 448 of debt payments in 2005 for specific activities in the areas of poverty reduction, economic management and good government. Spain is the other EU Member State which has helped Belize to improve water and sewage systems on Caye Caulker. This project involves a loan of BZD 4.0 million.

Other donors include the United States, which has engaged Belize in a Debt for Nature Swap arrangement. The Inter-American Development Bank has an ongoing Land Management Programme (BZD 2.5 million loan) to improve the enabling environment for private- and public-sector development.

III.3 Other EC policies

The greatest impact of EC policies has been on the traditional exports of sugar and bananas. The EU/ACP Banana Regime, which will remove preferential market access, has forced Belizean producers to strive to become more competitive. The EU Sugar Reform process is expected to result in a significant cut in price of 36%, to be spread over four years commencing in July 2006. EU is currently in discussions with its ACP partners (including CARICOM) to establish a number of regional Economic Partnership Agreements (EPAs) to take effect in 2008. It is expected that the obligations of the Sugar Protocol would be subsumed into a new EPA.

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III.4 Description of the state of the partnership with Belize

The European Community has established strategic objectives with ACP countries.

These include:

- Implementing sustainable development as an instrument to reduce poverty, to promote friendly and progressive integration into the world market. The EPA focuses essentially on this kind of development;
- Supporting sustainable economic growth and the development of the private sector to increase employment and better access to international markets. Trade activity is a strategic matter;
- Promoting complementarities among the development strategies supported by the EU, Member States and other international development agencies, in order to create synergies and mutual reinforcement for increasing efficacy;
- Setting up mechanisms to contribute to a sustainable solution to the external debt.

These objectives are also guidelines for the Government of Belize and are fully expressed in the Country Support Paper. There is also a common understanding of the poverty issues, between the EU and Belize, which takes into consideration:

- The dynamic nature of poverty, reflecting the vulnerability of households and communities to the impact of external changes and shocks;
- The international dimension, which is increasingly important in the context of economic reform and globalisation;
- The importance of interactions between the different dimensions of poverty and political processes, where aspects such as disempowerment and exclusion reinforce geographical isolation and the inadequate access of the poor to income and resources; and
- The uniqueness of a country's socio-economic conditions and the advantages of the use of participatory methods in a collaborative approach to poverty reduction.

CHAPTER IV: RESPONSE STRATEGY

IV. 1 Rationale for response strategy

The response strategy of the 10th EDF is consistent with and builds on the achievements and effective partnership developed during the 9th EDF. In order to address increasing rural poverty, rural development was selected as the focal sector of the 9th EDF. The strategy resulted in the development of a demand-driven programme approach to promoting rural employment and income generation - the BRDP. The design and mobilisation of the BRDP has led to an increase in institutional capacity and political commitment at the national, and perhaps more significantly, district level. The reasons for selecting rural development as a focal sector have not changed, but clearly the 10th EDF will have the advantage of being able to build on the improved institutional capacity, political will and lessons learnt from the BRDP. Lessons learnt from the BRDP include the fact that well prepared project planning, including data collection, is of utmost importance in assuring that measures are relevant. Also, that sound policy and planning must be backed up by adequate capacity building and training of the implementing agencies and beneficiaries. Recent experience from the BRDP has shown the need to simplify programme design to minimise the administrative burden in relation to the desired results. As a result, any projects or programme supported under the 10th EDF should not need extensive feasibility studies or initial capacity building and therefore should have a timely start.

In planning the 10th EDF the updated analysis of poverty and the issues constraining rural development in Belize have shown the need to also invest in infrastructure, as part of a comprehensive strategy of promoting rural enterprise development. Access for economic activities and services is made increasingly difficult because of the poor state of the road network. Therefore, rehabilitation of roads to make them durable all-weather highways can have significant socio-economic and development benefits for Belize. The 10th EDF has the advantage that coordinated planning with the BCS can help ensure these investments are made in the Sugar Belt. The NIP can help ensure the needed strategic investments are made elsewhere.

The current analysis has similarly shown that the growth of tourism, in particular the growth of cruise tourism, has presented economic opportunities for several rural communities including villages and towns in the Belize River Valley area of the Belize District and also in the Cayo, Orange Walk and Toledo Districts. Furthermore, the resilience of small-scale value-added production based on the citrus industry in the south (e.g. grapefruit wine, orange liqueur, citrus pastries, jams, jellies etc.) provides a viable model for rural household cottage industries.

The operations identified under the 10th EDF are expected to impact on rural poverty in Belize through enabling small rural producers to become embedded into the more established supply chain. The market approach to reducing rural poverty usually follows

one of two models. The first model refers to the ability of the rural poor to increase their employability in an expanding rural economy that includes non-farm opportunities. This model seeks to expose to training and skills acquisition those among the poor who are so inclined. The second model addresses the need of the rural poor whose coping mechanism is built on own production to convert their surplus production into cash income through market sales.

The 10th EDF is also well positioned to achieve broad geographic coverage. The Belize Country Adaptation Strategy for the Sugar Industry 2006-2015 (BCS) is geared to promoting a viable sugar industry that will continue to be a major contributor to economic growth and stability and social development in northern Belize. The 10th EDF programme will therefore benefit from collaboration with the BCS in reducing poverty and improving the living standards of the rural population in northern Belize.

IV. 2 Focal Sector measures

The Focal Sector is **poverty reduction through integrated rural development**. The programme objectives would include increasing agricultural production, added value and diversification activities of rural households and improving the social and economic environment. It is envisioned that the programme would work through the existing institutions to support rural enterprise development and improve rural infrastructure, including roads and electrification.

To achieve this, two approaches are proposed:

- Local (district, community and group) level measures to promote market-led rural enterprise development;
- Strategic infrastructure measures to create an enabling environment for rural development.

The first approach is to increase the ability of the rural poor to establish themselves as part of the supply chain in the rural economy, whether for agricultural or non-agricultural activities or on- or off-farm – for example as skilled labour, including in the services sector (e.g. rural infrastructure, nature-based tourism, handicraft supply); or in the supply of other inputs or materials. The approach would include capacity building and strengthening of institutions that facilitate development in rural areas.

The programme should seek to cluster the needs of rural communities around the emerging market opportunities in the rural economy. Funds can then be made available at the level of organised groups or communities to mobilise operations ranging from training and skills acquisition, to the delivery of technical information, the contracting of the services of advisers, researchers, and market intermediaries etc., the provision of seed capital or the coverage of other non-recurrent costs, as collectively identified by the group or community.

The second approach is to upgrade or develop strategic infrastructure to improve conditions and access within rural areas. The approach would require that the specific

measures are consistent with government policy and embedded within the relevant sector strategies or plans – e.g. in the transport, energy, or social sectors. This would help ensure that recurrent costs, maintenance, environmental impact and other sustainability issues have been properly considered. Where needed the programme could support the refinement or further development of area- or sector-specific plans.

The programme should work with the relevant government agencies to identify and implement a limited number of works contracts and, only if needed, supporting supply or service contracts.

IV. 3 Non-focal areas

The non-focal areas that will complement this approach relate to two institutional prerequisites:

- building institutional capacity in directing Belize's response to globalisation and trade liberalisation; and
- building institutional capacity for the NAO's office to effectively coordinate external support for Belize's development strategy.

Currently, the CARIFORUM-EU Economic Partnership Agreement (EPA) negotiation is in the final phase, prior to scheduled entry into force in January 2008. At the national level there is the need for support in several critical areas including:

- Increased public awareness of the regional EPA;
- Increased legislative and regulatory capacity to support implementation;
- An impact assessment of the EPA on the Belizean economy;
- Development of internationally compatible standards, including in the areas of Sanitary and Phytosanitary (SPS) measures, Technical Barriers to Trade (TBT) and trade facilitation;
- Improved availability of national trade statistical data;
- Trade capacity building for government agencies.

The programming of specific measures should be based on the results of the already conducted EPA impact assessment and a trade needs assessment study for Belize following the final outcomes of the EPA negotiations.

The second non-focal area is to investigate and formulate mechanisms through which the National Authorising Officer (NAO) within the Ministry of National Development, Industry and Culture can improve on the effectiveness of external support for Belize through closer coordination of the initiatives of donors and closer cohesion among the executing agencies. Also to improve the coordination of sector plans (of the respective ministries) and therefore improve resource allocation with respect to the National Development Policy and achieving poverty reduction.

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A further area of cooperation is in the area of good governance in taxation, to help the Government of Belize move towards compliance with the recognised international principles of transparency and effective exchange of information for tax purposes which have become vital due to the Government's related commitments towards the OECD to implement them. In this context the Commission can provide training in tax reform and may join existing studies and initiatives of other donors in Belize.

IV. 4 EC development cooperation

The success of the response strategy relies upon the Government of Belize continuing to be guided by key strategic principles which include:

- Making poverty reduction central to all programmes and measures;
- Concentrating on the domestic causes of poverty and instituting an appropriate policy response; and
- Pursuing a long-term and multi-dimensional approach with emphasis on sustainable development.

The European Commission has its own distinct strengths, which include the provision of grant funds, an ability to integrate development assistance with wider international economic policy issues (including trade access), a commitment to democratisation and good governance, an ability to pursue regional initiatives, a perception of neutrality, and a support network of in-country Delegations.

PART 2:

NATIONAL INDICATIVE PROGRAMME

1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the operations framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EC's cooperation strategy with Belize will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

1.2.1 10th EDF, A envelope, €11.8 million

Focus 1: Poverty reduction through integrated rural development
€ 10 million 85% EDF A envelope

The general policy in ACP countries privileges Budget Support subject to verification of the relevant eligibility conditions. In the specific case of Belize (SBS for Integrated Rural Development) this will require considerable strengthening and clear signs of commitment for all three eligibility conditions, namely stability oriented macroeconomic policy, credibility and relevant plans to improve PFM and sector policy.

Other programmes: Non-focal areas

1.8 million 15%

- of which:*
- Trade related support 0.3 million
 - economic governance (i.e. studies on PFM, tax issues) 0.3 million
 - the Technical Cooperation Facility 1.2 million

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1.2.2 10th EDF, B envelope, €0.6 million

This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 Investment Facility

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise** (CDE) and the Centre for the Development of Agriculture (CDA).

1.2.4 10th EDF, regional indicative programme

This allocation will cover long-term programmable development operations under the regional strategy for the Caribbean Region. The allocation is not part of the Indicative Programme but may have repercussions at national level depending on the participation of Belize in the programmes proposed under the regional framework.

1.2.5. Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" and "the Programme for accompanying measures for ACP Sugar protocol countries", as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

In addition, funds are still to be provided in 2007 and 2008, as already mentioned in Chapter III 1.4, under the ten-year SFA programme (banana budget line). Under this programme €23.88 million has already been committed over the last eight years.

Similarly €3.85 million has been committed from the 2006 allocation of the sugar budget line, and very significant resources are anticipated from the 2007-2013 allocations. Coordination with these financial instruments is important for the overall impact and success of this CSP.

1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Belize implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 Focal Sector: Poverty reduction through integrated rural development

Background: The Government's overall development strategy, the NPES, indicated that the incidence of poverty is greater in rural (44%) than in urban (23.7%) areas of the country. For this reason, the GoB has committed itself to a broad-based approach to rural development with specific resources to address poverty reduction and support the efforts of marginalised populations to enter the mainstream of economic activity. To support the Government in this effort and build on previous experience of EC cooperation with Belize for rural development and poverty reduction (including the BRDP, and SFAs), the focus of the continued cooperation will be on integrated rural development.

The following specific objective will be pursued: to increase rural household incomes through participation in rural market economy expansion.

As an indicative amount, approximately €10 million (85%) will be set aside for this field.

Two approaches are proposed for the operations:

- Local (district, community and group) level measures to promote market-led rural enterprise development;
- Strategic infrastructure measures to create an enabling environment for rural development.

Expected results are (i) more efficient and competitive rural enterprises, (ii) better basic services to the rural population, and (iii) strengthened policies and institutional environment within which rural enterprises, traders, processors, local organisations and communities operate.

In order to achieve these results, the actions proposed will (i) strengthen policies, institutions and communities to ensure the sustainability of “integrated rural development” in the long term without donor support, (ii) promote an efficient rural sector and facilitate the development of farming and non-farming activities by stimulating small, medium-sized and micro enterprises (SMEs), and (iii) support the development of rural infrastructure in the most disadvantaged areas in Belize.

The main actions proposed are: increasing incomes from production, added value and diversification activities of rural communities. Support for social development in the areas of assistance, including infrastructure for health and education, can be provided through the appropriate institutions. Other infrastructure-related initiatives, including roads and electrification, will support improved income, production and social development at the household and community level. When needed, the appropriate environmental assessment (SEA or EIA) will be carried out. Also, crosscutting issues will be supported in the integrated rural development approach as marginalised and vulnerable groups including women, children and indigenous communities, will be among the targeted beneficiaries.

Implementing instruments will be grants in support of requests emanating from groups, communities and institutions, and works contracts, as well as a limited number of supply or service contracts.

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are: maintaining the focus on poverty eradication; successful negotiations for market access; providing technical and extension support to small rural producers; implementing the National Export Strategy; providing recognised support for coalitions of private sector groups in promoting development and export opportunities; promoting increased local content in both land-based and cruise-ship tourism.

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues are established in the Health Reform Programme, the Education Reform, the Land Registration Programme and the distribution of the Capital (II) Expenditure budget.

The general policy in ACP countries gives priority to budget support, subject to verification of the relevant eligibility conditions. In the specific case of Belize (SBS for integrated rural development) this will require considerable strengthening and clear signs of commitment for all three eligibility conditions, namely stability-oriented macro-economic policy, credibility and relevant plans to improve PFM and sector policy.

1.4 Budget support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

The framework conditions for using budget support as a method of aid delivery are to be explored also for the Belize Country Adaptation Strategy for the Sugar Industry 2006-2015 (BCS) over the coming years. In order to provide the EC with the necessary information to assess the eligibility of Belize for access to budget support, the following studies should be concluded:

- Sectoral policy. A number of studies are planned over the strategy period to further analyse Belize's Country Strategy for the Adaptation of the Sugar Industry 2006-2013 (coherence, feasibility, monitoring systems, expected impact, etc.) and other initiatives concerning the sugar sector.
- Macro-economic assessment. The study should determine whether a stability-oriented macro-economic environment is in place. Such an environment is expected to contribute to growth and poverty reduction, to the effectiveness of the national development strategy and the sectoral policies as well as to ensuring that budgeted expenditure conforms to budget allocations. This study is planned to be carried out in 2007.
- The feasibility of conducting a Public Financial Management (PFM) Assessment will be explored. This study will assess PFM based on the recently adopted Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework that has been developed by multiple donors and endorsed by the OECD DAC.
- Relevant assessments for the purpose of assessing the eligibility of Belize for budgetary support should be conducted in 2008.

1.5 Non-focal areas

An indicative amount of €1.8 million (15%) is set aside for the following actions:

- building institutional capacity in directing Belize's response to globalisation and trade liberalisation; and
- building institutional capacity for the NAO's office to effectively coordinate external support for Belize's development strategy.

The main policy measure to be taken by the Government as a contribution to the implementation of the response strategy in the non-focal areas is the establishment of full staff capacity in the Ministry of National Development, Industry and Culture.

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Specific studies in the areas of trade (EPA), public financial management (as part of the ongoing assessment of Belize's eligibility for budget support), and good governance in taxation may be undertaken. These can be followed by technical assistance as found relevant.

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

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1.6 INTERVENTION FRAMEWORK

1.6.1 Focal Sector – Poverty reduction through integrated rural development

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
Overall objectives	<ul style="list-style-type: none"> To reduce poverty by increasing incomes of rural households 	<ul style="list-style-type: none"> Increased cash incomes of target rural households Increase in income diversity among target rural households 	<ul style="list-style-type: none"> Comparative changes in baseline data in poverty maps of target area 	<ul style="list-style-type: none"> Utilisation of poverty maps in defining the basic target groups Willingness and receptivity of households to participate in cluster group as beneficiaries
Programme purpose	<ul style="list-style-type: none"> To establish linkages between rural poor households and the emerging market opportunities in the rural economy 	<ul style="list-style-type: none"> Increase in percentage of household incomes derived from market sales 	<ul style="list-style-type: none"> Household surveys conducted with target groups 	<ul style="list-style-type: none"> Market intermediaries willing to seek supplies from project participants
Results	<ul style="list-style-type: none"> Clusters of small producers linked into established supply chain Financing of infrastructure needs Farm and non-farm enterprise formation Increased utilisation of information technology Financing of community-based social projects Active participation of non-state actors in contractual supply of support services 	<ul style="list-style-type: none"> Volume of target group requests addressed Delivery of information technology to rural institutions Value of fund expenditures in direct support of community-based projects Volume of technical information prepared and disseminated in operation support 	<ul style="list-style-type: none"> Key Progress Indicators Reports on programme 	<ul style="list-style-type: none"> Market access and quality and standards accepted as focus for project participation Willingness of market intermediaries to service rural supply sources Cooperation from local authority structures, both traditional and formal Skilled and dedicated individuals hired Support in technology information evaluation and assessment from other agencies

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1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
FOCAL SECTOR 1 – Poverty reduction (85%)	€10m						
• Local (district, community and group) level measures to promote market-led rural enterprise development	€5m		0.5	1	X	1	X
• Strategic infrastructure measures to create an enabling environment for rural development	€5m		1	X	1	X	1
NON-FOCAL AREAS (15%)	€1.8m						
• Support for NAO office	€1.2m		0.2	0.2		0.2	
• Trade-related (EPA) needs assessments	€0.3m		X	X	X	X	X
• Public Expenditure and Financial Accountability Assessment (PEFA)	€0.2m		0.1				0.1
• Training in technical matters and negotiation skills (including tax reform)	€0.1m		0.1				
Total commitments:	€11.8m		1.9	1.2	1.0	1.2	1.1
Total cumulative commitments:	€m						

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	Indicative allocation	2011		2012		2013	
		1	2	1	2	1	2
FOCAL SECTOR 1 – Poverty reduction (85%)	€10m						
• Local (district, community and group) level measures to promote market-led rural enterprise development	€5m	1		1		0.5	
• Strategic infrastructure measures to create an enabling environment for rural development	€5m	X	1	X	0.5	X	0.5
NON-FOCAL AREAS (15%)	€1.8m						
• Support for NAO office	€1.2m	0.2		0.2		0.2	
• Trade-related (EPA) needs assessments	€0.3m						
• Public Expenditure and Financial Accountability Assessment (PEFA)	€0.2m						
• Training in technical matters and negotiation skills (including tax reform)	€0.1m						
Total commitments:	€11.8m	1.2	1	1.2	0.5	0.7	0.5
Total cumulative commitments:	€m						

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1.8 Chronogram of activities

FOCAL SECTOR 1 (€10m) Poverty reduction (85%)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Local (district, community and group) level measures to promote market-led rural enterprise development 	€5m	□	□	□	□	□	□	□	□	□	□	□	□
<ul style="list-style-type: none"> Strategic infrastructure measures to create an enabling environment for rural development 	€5m			□	□	□	□	□	□	□	□	□	□
NON-FOCAL AREAS (€1.8m) (15%)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Support for NAO office 	€1.2m		□	□	□	□	□	□	□	□	□	□	□
<ul style="list-style-type: none"> Trade-related (EPA) needs assessments 	€0.3m		□										
<ul style="list-style-type: none"> Public Expenditure and Financial Accountability Assessment (PEFA) 	€0.2m			□								□	
<ul style="list-style-type: none"> Training in technical matters and negotiation skills (including tax reform) 	€0.1m				□								

- FS: Feasibility study
 FP: Financing proposal
 FD: Financing decision
 □: Project implementation

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FOCAL SECTOR 1 (€10m) Poverty reduction (85%)	Indicative allocation	2011				2012				2013			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Local (district, community and group) level measures to promote market-led rural enterprise development 	€5m	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:
<ul style="list-style-type: none"> Strategic infrastructure measures to create an enabling environment for rural development 	€5m	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:
NON-FOCAL AREAS (€1.8m) (15%)		2011				2012				2013			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> Support for NAO office 	€1.2m	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:	□:
<ul style="list-style-type: none"> Trade-related (EPA) needs assessments 	€0.3m	□:											
<ul style="list-style-type: none"> Public Expenditure and Financial Accountability Assessment (PEFA) 	€0.2m					□:							
<ul style="list-style-type: none"> Training in technical matters and negotiation skills (including tax reform) 	€0.1m												

FS: Feasibility study

FP: Financing proposal

FD: Financing decision

□: Project implementation

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ANNEX 1: Country at a Glance

Table of Macroeconomic indicators

(In Millions of US Dollars or % of GDP or Rate of Change)

		2000	2001	2002	2003	2004	2005	2006	2007
Basic Data									
1	Population (in 1000)	249.8	257.3	265.2	273.7	282.6	291.8	300.5	309.6
	- annual change in %	3.0	3.1	3.2	3.3	3.3	3.0	3.0	3.0
2a	Nominal GDP (in millions US\$)	832.4	868.8	926.5	980.8	1035.6	1105.1	1178.0	1201.2
2b	Nominal GDP per capita (in millions US\$)	3332.3	3376.6	3493.6	3583.5	3664.5	3787.2	3920.1	3879.8
2c	- annual change in %	---	1.3	3.5	2.6	2.3	3.3	3.5	-1.0
3	Real GDP (annual change in %)	13.0	4.6	4.7	9.2	4.6	3.1	2.7	4.0
4	Gross fixed capital formation (in % of GDP)	30.3	27.2	21.6	24.8	18.3			
International Transactions									
5	Exports of goods and services (in % of GDP) of which:	53.0	51.0	53.2	50.4	48.9	52.4	52.1	52.7
	- Marine Products	4.2	3.8	3.8	5.6	5.2	---	---	---
	- Sugar	4.5	3.4	3.6	3.6	3.9	---	---	---
	- Citrus Concentrate	4.2	3.8	3.8	5.6	5.2	---	---	---
6	Trade balance (in % of GDP)	-171.5	-196.3	-187.2	-218.4	-183.5	-140.2	-93.0	
7	Current account balance (in % of GDP)	-20.6	-22.6	-20.2	-22.3	-17.7	-12.7	-7.9	
8	Net inflows of foreign direct investment (in % of GDP)								
9	External debt (in % of GDP)	65.6	75.6	86.4	97.3	92.3	87.9	79.8	76.1
10	Service of external debt (in % of exports of goods and non-factor services)	13.8	20.6	43.8	28.7	50.9	41.6	20.5	
11	Foreign exchange reserves (in months of imports of goods and non-factor services)	2.3	2.0	1.9	1.5	0.7	1.5	1.4	1.5
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12	Revenues (in % of GDP)	22.3	24.7	22.9	22.7	22.3	25.0	24.9	26.0
	- of which: grants (in % of GDP)	---	---	1.0	1.2	0.7	0.9	0.8	---
13	Expenditure (in % of GDP)	32.0	34.5	32.0	31.4	31.3	28.6	27.9	28.0
	- of which: capital expenditure (in % of GDP)	14.4	15.4	11.8	8.1	5.9	4.3	4.3	---
14a	Deficit (in % of GDP) including grants	-9.7	-9.8	-9.7	-8.3	-8.7	-3.6	-3.1	-2.0
14b	Deficit (in % of GDP) excluding grants	---	---	-10.7	-9.5	-9.4	-4.5	-3.9	---
15	Debt (in % of GDP)	75.8	84.1	89.6	103.1	102.3	95.4	91.3	85.8
	- of which: external (in % of total public debt)			96.4	94.4	90.2	92.0	87.4	---
Other									
16	Consumer price inflation (annual average change in %)	1.0	0.9	3.2	2.3	3.0	4.0	3.0	2.0
17	Interest rate (for money, annual rate in %)	16.3	16.0	15.5	14.8	14.4	---	---	---
18	Exchange rate (annual average of national currency per 1 US\$)					2.0	2.0	2.0	2.0
19	Unemployment (in % of labour force, ILO definition)	11.1	9.1	10.0	12.9	11.6	11.0	---	---
20	Employment in agriculture (in % of total employment)								

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ANNEX 2: Millennium Goals

	The Millennium Development Goals	1990	2000	2001	2002	2003	2004	2005	2006	2013	2015
Impact	1. Proportion of population living on less than USD 1 per day. ²⁰	N.A.	33.0	N.A.	N.A.	33.5					16.8
	2. Prevalence of underweight children (under-five years of age).		41.6	41.9	43.7	43.4	29.9				
	3. Under-five mortality rate.	26.0	21.2	23.8	17.	19.0					5.5
Outputs	4. Net enrolment ratio in primary education.	N.A.	96.2	95.6	97.0	97.2	90.3				100.0
	5. Primary Completion Rate.	N.A.	33.0	33.5	35.0	26.5	40.4				100.0
	6. Ratio of girls to boys in: - Primary education - Secondary education - Tertiary education.	N.A. N.A. ---	0.95 1.09 ---	0.95 1.04 ---	0.95 1.04 ---	0.98 1.02 ---	0.96 1.00 ---				100.0 100.0 ---
	7. Proportion of births attended by skilled medical personnel.	N.A.	N.A.	96.0	96.7	96.8	97.5				100.0
	8. Proportion of one-year-old children immunised against measles.	N.A.	95.5	93.0	88.3	95.8	96.8				100.0
	9. HIV prevalence among 15 - 24 year old pregnant women.	N.A.	N.A.	0.58	0.55	0.56					0.00
	10. Proportion of population with sustainable access to an improved water source.	N.A.				80.8					100.0

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 20 Indicator 1 may be replaced by an equivalent indicator based on national poverty thresholds, in which case a comment will be needed to permit consistent interpretation of data over time.

ANNEX 3: Donor Matrix

Country/Agency	Economic Development	Social Development	Productive Sector	Thematic/Cross-cutting Issues
1. European Community	A new bridge structure and improve traffic safety in Silver Creek Hummingbird Highway	Belize Rural Development Project	Special Framework of Assistance (SFA) in Banana and in Sugar	To foster the economic development of Belize with particular emphasis on Southern Belize
2. IDB/CDB/EU/GOB	(a) expand land adjudication and registration activities country-wide; (b) improve the efficiency and sustainability of land administration services; (c) build capacity for land use planning at the local, regional and national levels.			The general objective is to raise the health status of the population by improving efficiency, equity and quality of health care services and by promoting healthier lifestyles.
3. CDB/GOB	Upgrade 21 mile route from the Placencia airstrip to the junction of Southern Highway,	The general objective is to reduce poverty and sustainability of subprojects in Belize	Encourage development of facilities to support tourism and services for indigenous populations in Seine Bight and Placencia	Enhance the quality and capacity of TVET sub sector of Belize to satisfy the skilled manpower needs, at the intermediate level, of the various contributing economic sectors and to increase access to a wider cross section of the population; Reduce poverty and sustainability of subprojects in Belize
4. Republic of China (Taiwan)		Home Improvement	Increase employment opportunities, foreign exchange earnings and government revenues from tourism in a manner that is environmentally and archeologically sustainable	Crime Information Management System (CIMS); Belize Sport Center; and Dangriga Sports Centre
5. UK/CDI	Measurable progress towards improved governance; Fiscal and debt levels returned to			

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	sustainable levels thereby reducing Belize's vulnerability and allowing conditions for increased public investment to support long term growth and development			
6. OPEC/Kuwait/GoB	Part one to complete 9 miles of Southern highway Part 2 20 miles from Dump to Jalacte Village			
7. IFAD				Community socio-economic development capacity enhancement
8. USA	Debt for Nature Swap			
9. UNICEF		Human Development		

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ANNEX 4: Country Environmental Profile

Belize is a country with a very small population of 291,800²¹ in a very expansive land space of 22,963 km² or 8,867 square miles. This distinguishes Belize as a country with one of the lowest population densities in the Latin American and Caribbean region, namely 32 people per square mile or 12 persons per square kilometre. The country's topography varies greatly as terrestrially mangrove swamps dominate the low-lying coastal littoral ecosystems, mostly flat pineland savannahs occupy the northern section of the country while karst-oriented soils and tropical forests are the primary geological bases and vegetative types found in the Western and Southern parts of the country.

Hurricanes are a perennial threat to Belize and therefore, risk mitigation against these unpreventable natural disasters is critical for managing vulnerability and impact to human settlements which are mostly situated in coastal areas in the country. The National Emergency Management Organisation (NEMO) is responsible for centrally coordinating national disaster preparedness and responses and for developing the government's policy on mitigation and recovery from emergencies and natural disasters.

The Government of Belize remains committed to MDG Seven which is to ensure environmental sustainability. For Belize to fully achieve this goal, enforcement of policies and legislation will have to be address. Belize is a signatory to various international protocols including Kyoto, and there are several pieces of legislation and environmental policies on the books that create the legal and policy bases for the sustainable management of the environment.

Legislation currently in effect include

- the National Lands Acts (1992),
- the Land Utilization Act (1981),
- the Environmental Protection Act (1992) ,
- the Housing and Town Planning Act (1980),
- the Forest Act (1980),
- the Wildlife Protection Act (1980) and
- the National Park System Act (1980).

The Government has also endorsed the recently completed (2006) Protected Areas Policy and Plan. The focus of the Plan is to strengthen the management of protected areas by making the processes more comprehensive, simple and financially sustainable. It proposes the sustainable use of resources in those areas and recommends community involvement in related environmentally friendly income-earning activities as a way of combining environmental protection with poverty reduction activities. The cost of full implementation of the Plan over a six-year period has been estimated at US \$7.5m, financing for which has not yet been identified, apart from US \$1.5m from the Global Environmental Fund (GEF).

²¹ Mid-year Population Estimate (2005) as reported in Agriculture & Fisheries Fact Sheet (2001-2005)

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Belize is also a signatory to three important conventions which should have an impact on the country's development strategy. These are the

- United Nations Framework Convention on Climate Change (UNFCCC),
- United Nations Convention on Biological Diversity (UNCBD) and
- the United Nations Convention to Combat Desertification (UNCCD).

In terms of sustainable forest management Belize is not a part of the Forest Law Enforcement, Governance and Trade (FLEGT) initiative - the European Union's response to the global problem of illegal logging and the trade in associated timber products.

However, the Forestry Department of the Ministry of Natural Resources and Environment has adopted a National Strategic Plan for 2005-2010. The overall goal of the five year plan is to have in place a regulated and integrated management program for the forest resources which are recognized for their ecological functions as well as for their contributions to the local and national economy.

A Department of the Environment (DOE) assessment has pointed to the weaknesses in coordination at the highest levels of Government on natural resources and environmental policies and their implementation. The management of protected areas falls under the responsibility of three Ministries: the Ministry of Natural Resources, Local Government and the Environment, the Ministry of Agriculture and Fisheries, and the Ministry of Education and Culture. The Ministry responsible for tourism does not have a legal mandate to manage any protected area, however, they are a key stakeholder in the use of these resources and employ a growing proportion of the Belizean workforce.

A major source of the country's environmental problems lies in liquid and solid waste quantity and inadequate disposal. While urban areas have some waste disposal systems in place, rural areas are left completely unchecked. Fortunately, work on the Solid Waste Management Project was initiated at Mile 24 on Western Highway. A 2% environmental tax across all imports is intended to finance solid waste management. The funds, however, are still to be made available for this purpose.

Growth in the tourism and fisheries sectors, including in fish and shrimp farming, has raised the importance of integrated coastal zone management in Belize, in particular conservation and sustainable use of the Barrier Reef Complex. Questions currently exist as to the capacity and commitment of the Government to assume the responsibility for the long-term challenges and opportunities inherent in managing the coastal resources of Belize into the future. Similarly increases in the number of short-term immigrant workers on banana and citrus plantations located adjacent to protected areas is a threat because of their illegal hunting and fishing within the protected areas.

There is routine use of pesticides in agricultural production systems in Belize – e.g. the aerial spraying of fungicides in banana. Non-compliance with recommended regulations by producers has raised human health and pollution concerns. The fact that most

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commercial agriculture is for export, pesticide use and impacts invariably need to comply with industry and commodity standards.

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ANNEX 5: Country Migration Profile

Constantly shifting emigration and immigration patterns have resulted in Belize having a highly transitional population base. While the country does not have national immigration policy, the porosity of the borders contributes to people continue coming into the country illegally.

Immigration

Rapid increases in immigration have come as a result of consistent migrant flows from neighbouring countries in Central America to primarily rural Belize looking for livelihood opportunities especially wage employment. This has resulted in a demographic shift to a more Latinized Belize as reflected in the last two censuses. From the years 1991 and 2000, Belizeans of Guatemalan origin remained the largest proportion of the foreign born population currently representing 42.5% of the population sub-grouping (CSO Census 2000). Those of El Salvadoran origin (17.6%) and Honduran origin (14.6%) represent the second and third largest proportions of the foreign born population in the country. The majority (60%) of foreign-born persons have settled in the rural areas and they represent 16% of the total rural population. Those who came from Guatemala, El Salvador and Mexico have settled mainly in the rural areas. However, those from the USA, China and Taiwan have settled mainly in urban areas. The foreign-born persons from Honduras are evenly divided between the rural and urban areas.

Notably, the respective census proportions show that the foreign born population percentages of those of El Salvadoran origin and from Commonwealth territories decreased while those of Honduran origin, Mexican origin, Taiwanese origin and American origin increased significantly in the decadal period. Overall, the foreign born population or immigrants currently represent about 15% of the total national population. It should also be noted that immigrants to Belize tend to be older and have higher fertility rates than the population born in Belize.

Emigration


On the other hand, in terms of emigration, there has been a steady outflow of Belizeans particularly urban Creoles and rural Garifuna to foreign countries notably the United States of America (USA) since the 1970s. It is estimated that 80,000 Belizeans representing about 75% of all Belizean emigrants (both legal and illegal) migrated to the United States during 1965-2000. Ancestry data from the 2000 U.S. Census show about 37,688 individuals claiming Belizean ancestry (NHDR-2005). The 2000 Belize national census (CSO, 2001) revealed that over 1,400 households reported that at least one of their members had migrated during 1990-2000 with approximately 84% emigrating to the USA. This official data represent roughly 2,200 emigrants; the majority of the emigrants are females (55%). This rate is even higher in urban areas (58%) and in Belize (56%) and Stann Creek (62%) districts. Belize district reported the highest number of emigrants. However, Stann Creek district has the highest rate of emigrant per person. The majority of emigrants are from urban areas.


ANNEX 7: List of Government Commitments

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LIST OF GOVERNMENT'S COMMITMENTS

	Governance Area	Commitments
1	<p>Political Democratic Governance</p> <ul style="list-style-type: none"> - Human Rights - Fundamental Freedoms - Principles of Constitutional Democracy <p>Objective - To respect and adhere to the provisions of the Constitution of Belize in all its aspects.</p> <ul style="list-style-type: none"> - the Electoral Process <p>Objective - to continue to enhance democracy through the maintenance of legitimate, impartial and valid elections.</p>	<p>Belize is a democratic country, governed by a Constitution which is the supreme law of the land. The Constitution sets out the fundamental rights and freedoms of the citizens of the country and the mechanisms by which they are enforced and monitored. The government continues to reinforce its commitment to the principles enshrined in the constitution through the maintenance of the separation of powers (legislative executive, judicial), a functioning parliamentary system and due process of law.</p> <p>In 2002, the membership of the Senate was increased from 8 to 12 to ensure greater participation by non state actors such as the religious community and the trade unions, resulting in more oversight of the legislature</p> <p>There has been and continues to be a strong commitment to the peaceful and orderly succession of leadership through elections. This important element of political stability has been the case in Belize since independence in 1981.</p> <p>Government, through the Elections and Boundaries Commission, continues to place much importance on this objective. To ensure transparency, the Commission is comprised of an equal number of members from the Government and the Opposition.</p> <p>In an effort to bring about more transparency in the electoral system, the Representation of the Peoples' Act was amended to require voter re-registration every 10 years. Also the discrepancy in the number of voters in some constituencies was addressed by increasing the number of constituencies from 29 to 31, resulting in a more balanced distribution of voters throughout the country. This redistricting exercise was completed in 2005. Legislation to address Campaign Finance Reform is currently under preparation and will be considered in the near future.</p>

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	Governance Area	Commitments
2	<p>Political Governance - Rule of Law</p> <p>- Judicial and Law Enforcement Systems</p> <p>Objective - to maintain a fair, impartial and effective legal framework that assures the independence of the judiciary and protects the human rights of the citizens</p> <p>Objective - to ensure a safer Belize through emphasis on the reduction of crime, maintenance of order and improvement in road safety, working in partnership with the community in the implementation of the Policing Plan 2006 - 2010.</p>	<p>The Ministry of the Attorney General continues to focus on improving the judicial system in Belize, with the priorities in the short to medium term being:-</p> <ul style="list-style-type: none"> - to improve the functioning of the magistrates' court through the recruitment of additional qualified staff. - to increase the number of judges in the Supreme Court - two by December 2006 and full complement within the next five years. - to focus on the concluding discussions to have the Court of Appeal resident in Belize for longer periods to ensure adequate management of justice. The Court is resident in Belize for two weeks in every quarter and the intention is to have residency for at least one month each quarter in the short term and longer in the next five years. - following the appointment of a new Director of Public Prosecutions in January 2007, focus on strengthening this Office through evaluation of procedures, improved management and quality of staff. - strengthen the Legal Aid Office by the recruitment of a second crown counsel by June 2007 and improve the delivery of legal aid generally through the introduction of legislation to regularize the service. <p>As the primary law enforcement agency in Belize, the Police Department has given priority to the following initiatives:-</p> <ul style="list-style-type: none"> - to improve the effectiveness of preventative patrolling through redeployment of officers, encouraging the formation of neighbourhood watch groups and extending the programme for Special Constables and providing adequate transportation for quick response. - to improve public education with respect to road safety and traffic laws through training of police officers, the public and introduction of a traffic awareness programme in the schools. - continue to target active drug traffickers and reduce the availability of hard drugs in Belize through restructuring of the Anti Drug Unit, intensive training of police officers in areas of Money Laundering, Asset Forfeiture and Intelligence Gathering and expansion of cooperation with the Belize National Coastguard. - to improve investigative procedures through increased training and with implementation of an operational forensics laboratory which is expected to be in operation by early 2007

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	<ul style="list-style-type: none"> - to improve the moral and welfare of the members of the Police Department to enable the delivery of more of more efficient and professional service to the community. - to improve the professionalism and quality of service to the community through streamlining procedures and increasing public awareness activities with the assistance of the media.
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	Governance Area	Commitments
3	Control of Corruption Objective - to adhere to the provisions of current legislation which address various aspects of corruption in public life in the continuing effort to ensure greater accountability and transparency.	<ul style="list-style-type: none"> - This subject continues to be addressed within mechanisms in existing legislation, specifically the Prevention of Corruption in Public Life Act. In addition, and very important, the Finance and Audit Act has been amended to strengthen the legal framework for the administration of the public finances. Government has committed to the strict implementation of this Act and will continue to do so in the future. Further amendments are being drafted currently which will seek to impose penalties for particular violations. - Organizational reviews of the Integrity Commission and the Offices of the Ombudsman and Contractor General are ongoing, the objective being to enhance their effectiveness as oversight agencies for transparency and accountability in the public sector. - In accepting the recommendations in the Report of the Senate Select Committee Investigations of the Social Security Board, Government agreed, among other things, to strengthen the SSB Act to clarify the operations of the SSB Investment Committee and the investment rules of the Board. The revised legislation will be placed before the National Assembly by December 2006. - The Commission of Enquiry into the operations of the Development Finance Corporation is ongoing. Government has given its commitment to receive and act on the Commission's report. By the end of 2006, the DFC Act will be amended to reduce the DFC to the minimum size necessary to meet its legal obligations. The Act will be repealed once any concerns about breaches of legal obligations are no longer an issue.

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4	Government Effectiveness - Institutional Capacity Objective - to increase transparency effectiveness and efficiency in public administration through the	The Office of Governance, which is responsible for the promotion and coordination of public sector modernization through Human Resource Development and Training, has the following priorities in the short term:- <ul style="list-style-type: none"> - The development of soft skills such as planning, leadership, results based performance management, evidence based policy development and analysis and professional writing for the sustainable development of
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<p>strengthening of professionalism in the public service.</p>	<p>the public service. The first evaluation of these programmes will take place in the first quarter of 2007.</p> <p>- Implementation of a Performance Management and Appraisal System which was approved in June 2006. The system is designed to encourage the public officer to aspire to his highest level of performance, based on job knowledge, experience, academic training and skills. The system allows for the acknowledgement of high level performance as well as corrective measures for mediocre or unsatisfactory performance. Training in the use of the system is ongoing and monitoring will begin in the first quarter of 2007.</p> <p>One important commitment is that all Ministries of Government and Statutory Bodies must prepare annual reports on their activities for submission to Cabinet and the National Assembly.</p>
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	Governance Area	Commitments
<p>4</p>	<p>Government Effectiveness - cont - Public Finance Management Objective - Reduce debt and regain financial sustainability.</p> <p>Strengthening public expenditure programming and management systems.</p>	<p>Government has committed to the development of a debt management strategy to ensure long term sustainability of Belize's debt. Consultations with private sector creditors are ongoing on the restructuring of private sector external debt. The process is very transparent as all creditors have access to relevant information, to Government's financial advisers and to the views of the IMF on the subject. This process is expected to be completed by the end of 2006. Government has also stated its commitment to continue extensive consultation even after formal agreements are concluded.</p> <p>Emphasis will continue to be placed on controlling the level of personnel emoluments. Also, domestically financed capital expenditures will continue to be limited to provision for counterpart funds and for ongoing essential projects, especially in the social sectors.</p> <p>The budget format continues to be streamlined to bring it in line with international standards of financial classification. The quality of economic and fiscal data has been substantially improved. The decision to commence programme budgeting on a phased basis with clearly defined targets and expected outcomes will improve transparency in public expenditure and the accountability of Ministries. The implementation of programme budgeting will be on a phased basis over the next two fiscal years.</p> <p>The preparation of the capital budget will be linked to priorities stated in the Public Sector investment Programme (PSIP). This will be guided by an evaluation of gaps in physical infrastructure and the social sectors, together with a long term strategy for capital investment.</p>


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Improving the capacity of the Budget Unit in the Ministry of Finance.	The Budget Unit is being strengthened with the recruitment of additional economists and training. Consultation throughout the budget cycle with line Ministries has been reinforced and there are now regular meetings between Ministry Finance Officers and the Financial Secretary.
Introduction of Medium Term Budgeting	Government has committed, in principle, to this budget format which will be based on the development of a medium term macro-economic and fiscal framework and also to the institutional changes that will be required. Support for this initiative is currently being discussed with the development partners. Government is presently considering the proposal to present a Budget Policy Statement midway in the financial year which would set out the macroeconomic and fiscal framework in the medium term and options for financing.

	Governance Area	Commitments
4	Government Effectiveness - cont Reform and Modernization of the Revenue System Strengthen the Framework for Financial Accountability and Oversight	<p>In 2005, Government decided to implement tax reform by the re-introduction of a value added tax and to modernize the Customs Administration. An ad valorem tax was introduced in July 2006. Its performance will be assessed over the next two quarters. Also, Government will consider further reforms to the tax system. Procedures in the Customs Administration will be modernized to bring about increased revenue collection and the production of timely and accurate trade data. A computerized system for customs control and clearance will be introduced and is expected to result in the reduction in the cost of doing business in Belize and in increased revenue to government.</p> <p>The key mechanism for assuring financial accountability and oversight in the management of public finances is the Finance and Audit Act. Following consultation with the social partners in 2005, this Act was amended to strengthen the legal framework within which public finances are administered. Among other things, the Act strengthened the provisions for accountability and transparency and introduced new mechanisms to broaden the scope of inspection of financial transactions. Under the new Reform Act, the government must follow set procedures if it wishes to purchase or sell assets and to raise loans internally or externally. Approval must also be sought from the National Assembly for borrowings in excess of US\$5 million and for guarantees to the private sector or statutory bodies. Government is now in the process of revising the Act to further provide for</p>

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	<p>Establishment of an autonomous Statistical Agency</p> <p>Modernization of the tax regime for the Petroleum Industry</p>	<p>penalties for certain violations of the Act.</p> <p>Approval was given in December 2005 for the transformation of the Central Statistical Office into an independent agency to be known as the Statistical Institute of Belize. This decision was a response to the need to build public confidence in official statistics and to have an agency which is independent from outside interference and which has control over the scope, content and frequency of the data that it will collect, analyze and publish. The requirement to ensure the timely provision of reliable data is also reinforced by Belize's participation in the IMF's General Data Dissemination system as of September 2006. The Institute is expected to be functional by the second quarter of 2007.</p> <p>The Income and Business Tax Act is presently under amendment to take account of the petroleum industry and to bring it in line with international practices. In addition, to ensure transparency in the management of revenue from this industry, priority has been given to the early establishment of a Petroleum Fund, the proceeds of which will be available for social investments benefiting present and future generations of Belizeans.</p>
	<p>Tax regime and transparency</p>	<p>As a participating partner in the OECD Global Forum on Taxation, Belize will continue engaging in international for a and will seek to improve cooperation with international partners on matters of transparency and exchange of information.</p>

Further, Belize will consider how the tax systems supporting the international business and financial services sector could be reviewed where necessary to maintain Belize's competitiveness in this area while paying due regard to concerns about inappropriate use by its taxpayers and those of other countries and any vulnerability of its system to abuse.

	Governance Area	Commitments
<p>5</p>	<p>Economic Governance</p> <p>Private Sector and Market Friendly Policies.</p> <p>Objective - to continue to provide an enabling environment for private sector activity.</p>	<p>Government has committed to ensuring that technical and financial assistance is available for small and medium enterprises with the goal of increasing production for the local market. A special small and medium enterprise fiscal incentive programme to benefit small entrepreneurs is now in operation.</p> <p>There is renewed emphasis on export development with the preparation of a national export strategy which is expected to be completed by December 2006. The preparation of a long term policy for tourism, agriculture and aquaculture, complemented by medium term sector strategies for these pillars of the economy, are important policy instruments to support the productive sector.</p>

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<p>Management of Natural Resources Objective - to improve the level of service to the public through greater access to information on all aspects of land and to provide a transparent environment that will facilitate private sector activity.</p>	<p>Government, through the Ministry of Natural Resources, has committed to proper recording and sharing of all information about land including ownership, value, location, best use to assist in productive sector activity which will contribute to sustainable development. This is being done through the development of a comprehensive land registration system, with the support of the IDB. The expected project completion date is December 2007 by which time information on approximately 68% of the country will have been entered. From 2008 on, government will use its resources to focus on the remaining areas of the country.</p> <ul style="list-style-type: none"> - To develop a computerized Land Information System which will be available to users in the private sector including the local lending institutions. - to provide an improved regulatory environment that will enhance management and the business process through amendments to the National Land Act and the Land Surveyors' Act and the introduction of legislation to regulate the activities of Valuation Surveyors and the Real estate sector. This legislation should be enacted by June 2007.
<p>Development of Land Use Policy Framework</p>	<p>National Land Use Planning legislation is presently being drafted following extensive community consultation.</p>

	Governance Area	Commitments
6	<p>Internal and External Security Internal Stability/Conflict External Threats and Global Security Objective - provision of a safe, secure and stable environment that will facilitate development and poverty reduction through working toward the reduction of internal and</p>	<p>There is continued commitment on the part of the various law enforcement agencies, the Crime Control Council and the National Security Council to focus on areas which continue to threaten internal security such as violent and drug related crime, the activities of criminal gangs, the illegal importation of firearms and money laundering. Belize's Security Services, comprised of the Police, Belize Defense Force, Immigration, Customs and Forestry Departments and the National Coastguard all work closely together and also with regional and</p>

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<p>external threats.</p>	<p>international partners in addressing problems.</p> <p>The ongoing preparation of a medium term National Security Strategy based on coherence in policies of the various agencies is evidence of the commitment to ensure that threats to Belize's stability are addressed effectively.</p> <p>The territorial claim by Guatemala continues to be the most significant external threat to Belize and while it is assessed to be low at this time, Government continues to monitor the situation closely.</p> <p>Addressing the related problems of illegal immigration, human smuggling, cross border criminal activity and environmental destruction continues to be a key commitment of Government which is assisted by Belize's development partners such as the OAS, the UK and the USA including through the provision of training and equipment.</p> <p>Belize's main counter terrorism legislation is the Money Laundering (Prevention) Amendment) Act which is presently under review to close loopholes and to fulfil obligations under related international agreements.</p> <p>Regionally, Belize has signed the Agreement establishing the CARICOM Implementation Agency for Crime and Security which sets out a management structure to guide the regional security agenda.</p> <p>The commitment to global security is evidenced by Belize's enactment, earlier in 2006) of the Chemical Weapons (Prevention) Act which incorporates the Chemical Weapons Convention into domestic legislation. Reports are now being submitted to the OPCW as required by the Convention.</p> <p>In addition, Belize has taken the required action on 9 of the 12 universal counter terrorism treaties and submits reports to the UN Counter Terrorism Committee.</p>
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	Governance Area	Commitments
7	<p>Social Governance</p> <p>Village and Community Level</p> <p>Objective - to ensure that adequate mechanisms exist for rural communities to manage their</p>	<p>Government continues its commitment to have consultation at the community level when policies are being developed at the national level that could have an impact on the communities such as the preparation of a Land Use Plan.</p> <p>Government approved legislation to provide for greater autonomy to village councils and rural water boards in</p>

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<p>affairs effectively. To continue the practice of consultation with non state actors to ensure that decisions made by government, take into account the needs and priorities of the Belizean people.</p>	<p>2000. This regulation provided for the election of village councils and village Chairmen and laid the foundation for the operations of village councils. Following national village council consultations, Government also approved the accounting regulations for both village councils and water boards. In 2005, a policy decision to provide even greater autonomy and financial independence to village councils was made. Village councils are now authorized to collect liquor licences and will soon be able to collect both trade licences and property tax on village lots. Government will shortly begin consultations with the village councils to identify ways in which greater autonomy can be given to the councils, including greater financial independence. Also mechanisms, such as the National Human Development Advisory Committee (NHDAC) are functional for regular consultation with the non state actors. Various pieces of legislation have been prepared recently with the input of the non state actors, an important one being that of the revised Finance and Audit Act, 2005. Government intends to continue this practice in the future. The National Poverty Elimination Strategy and Action Plan (2006 - 2010) is in its final stages of preparation. The plan will be the basis for Government's future poverty reduction initiatives and for medium term planning.</p>
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	Governance Area	Commitments
8	<p>International and Regional Context Regional Integration Objective - to continue working toward effective integration within the Caribbean (CARICOM) and the Central American (SICA) regions.</p> <p>Involvement in Regional Peer Review Mechanisms such as the APRM.</p>	<p>CARICOM - Belize is on stream with its commitments under the Caricom Single Market and Economy (CSME) and will continue in this way. In the context of CARIFORUM, the intention is to come to agreement on an FTA with the Dominican Republic. It is intended that this agreement, together with the CSME, will provide the environment for furthering the objectives of the Economic Partnership Agreement which is expected to come into being on January 1, 2008.</p> <p>CARICOM, as a Community (of which Belize is a member) acts as a regional review mechanism through the actions and decisions of its functioning Ministerial Committees, such as those of Foreign and Community Relations, Trade and Economic Development, Social Development and Finance and Planning. These</p>

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Migration	<p>committees meet throughout the year as needed.</p> <p>Government remains committed to an open policy on migration, especially regional migration in the context of the CSME. Also, migration from Central America is encouraged by the relaxing of conditions for certain categories of professions. The focus, however, continues to be on the prevention of illegal immigration combined with illegal settlements along the western border with Guatemala and the illegal entry of nationals of other countries who wish to use Belize as a transit point for eventual entry into the USA. There is increased emphasis on the identification of false entry documents, an area in which training is being provided with the assistance of the international partners.</p>
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	Governance Area	Commitments
9	<p>Quality of Partnership</p> <p>Political Dialogue Programming Dialogue Non State Actors</p> <p>Objectives - to work with the EU in achieving Belize's development priorities through initiatives that focus on poverty reduction and on rural communities becoming productive on a sustainable basis.</p> <p>To ensure that there is continuous and effective dialogue with the EU and with Non State Actors in Belize</p> <p>on EU-Belize cooperation programmes through the implementation of the Country Support Strategies.</p> <p>To strengthen the Office of the National Authorizing Officer to</p>	<p>Government has committed to these objectives by:-</p> <ul style="list-style-type: none"> - its decision to make rural development the focal sector in the Country Assistance Strategies for the 9th and 10th EDF. The focus of the Belize Rural Development Programme will be a multifaceted one, addressing areas such as improvements in production processes, rural infrastructure and training in small enterprise development. - the CSS was prepared on the basis of extensive consultation within the public sector and also with a broad cross-section of non state actors in Belize. The intention is to ensure that the consultation process continues during the programme's implementation. The government has also undertaken to work with NSAs in encouraging their participation in project activities where possible. <p>At the international level, the avenue for political dialogue with the EU exists in the Cotonou Agreement, which governs all aspects of the relationship between the EU and the ACP Group of Countries (of which</p>

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	<p>improve Belize's capacity to maximize cooperation with the EU.</p>	<p>Belize is a member).</p> <p>At the national level, political and programming dialogue with the EU is carried out by the Office of the National Authorizing Officer. In view of the importance of EU-Belize cooperation, Government recently approved the upgrading and expansion of the NAO's Office to that of a Department within the Ministry of National Development with the associated upgrading and increase in staffing. In addition, approval was given for a technical officer in the Ministry of Agriculture (as implementing agency) to be assigned to EU projects on a full time basis.</p> <p>The strengthening of the NAO's Office means that the NAO will be able to focus on more active participation in regional programming and political dialogue with the EU since daily management of the Office will be carried out by the Deputy National Authorizing Officer.</p>

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